

Lender Processing Services, Inc.  
Form 425  
December 12, 2013

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of Report (date of earliest event reported): December 12, 2013

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LENDER PROCESSING SERVICES, INC.  
(Exact name of Registrant as Specified in its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	001-34005 (Commission File Number)	26-1547801 (IRS Employer Identification Number)
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601 Riverside Avenue Jacksonville, Florida (Addresses of Principal Executive Offices)	32204 (Zip Code)
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Registrant's Telephone Number, Including Area Code: (904) 854-5100

Not Applicable  
(Former Name or Former Address, if Changed Since Last Report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☒ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

“ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 8.01. Other Events.

As previously disclosed, on May 28, 2013, Lender Processing Services, Inc. (“LPS” or the “Company”), Fidelity National Financial, Inc. (“FNF”) and Lion Merger Sub, Inc., a subsidiary of FNF (“Merger Sub”), entered into an Agreement and Plan of Merger (the “merger agreement”). Upon the terms and subject to the conditions set forth in the merger agreement, Merger Sub will merge with and into LPS, with LPS surviving the merger as a subsidiary of FNF (the “Merger”).

As previously disclosed in the Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission (the “SEC”) by LPS on October 31, 2013 (the “Definitive Proxy Statement”), on May 31, 2013, two putative LPS stockholders filed an amended complaint in a derivative action, captioned *Wheatley v. Carbiener, et al.*, Case No. 16-2011-CA-000925-XXXX-MA, pending in the Circuit Court of the Fourth Judicial Circuit in and for Duval County, Florida, to assert putative class action claims against LPS, the members of the LPS board of directors, FNF and THL (the “Wheatley Action”). Also on May 31, 2013, a second putative stockholder class action complaint, captioned *Orlando Police Pension Fund v. Kennedy, et al.*, Case No. 2013-CA-5607, was filed in the Circuit Court of the Fourth Judicial Circuit in and for Duval County, Florida against LPS, the members of the LPS board of directors, FNF and Merger Sub (the “Orlando Police Action”). On June 3, 2013, a third putative stockholder class action complaint, captioned *Pruitt v. Lender Processing Services, Inc., et al.*, C.A. No. 8622-VCL, was filed in the Court of Chancery of the State of Delaware against LPS, the members of the LPS board of directors, FNF and Merger Sub (the “Pruitt Action”). On August 7, 2013, a putative LPS stockholder filed an amended complaint in a derivative action, captioned *Hill v. Kennedy, et al.*, C.A. No. 8305-CS, pending in the Court of Chancery of the State of Delaware, to assert putative class claims against LPS and the members of the LPS board of directors (the “Hill Action”). On August 26, 2013, the Florida court entered an order providing for, among other things, (i) the consolidation of the Wheatley Action and the Orlando Police Action under the caption *In re Lender Processing Services, Inc. Shareholder Litigation*, Case No. 16-2011-CA-000925-XXXX-MA (Cir. Ct., 4th Judicial Cir., Duval Cnty., Fla.) (the “Consolidated Florida Action”), and (ii) the appointment of Lead Plaintiffs and Lead Counsel in the Consolidated Florida Action. On September 23, 2013, the Lead Plaintiffs filed a Second Amended Verified Derivative and Class Action Complaint (the “Consolidated Florida Complaint”), which alleges, among other things, that (i) the members of the LPS board breached their fiduciary duties to LPS’ stockholders by entering into the merger agreement and (ii) the Form S-4 Filed by FNF with the SEC on August 29, 2013, is materially incomplete and/or omitted certain information. The Consolidated Florida Complaint alleges that FNF and THL aided and abetted the members of the LPS board in breaching their fiduciary duties. The Consolidated Florida Complaint seeks, among other things, to enjoin the transactions contemplated by the merger agreement. On September 26, 2013, the plaintiff in the Hill Action filed a notice of voluntary dismissal of the Hill Action without prejudice and, on September 27, 2013, the plaintiff in the Pruitt Action filed a notice of voluntary dismissal of the Pruitt Action without prejudice. On October 31, 2013, the Plaintiffs in the Consolidated Florida Action filed a Motion for Preliminary Injunction, which requests that the Court preliminarily enjoin the transactions contemplated by the merger agreement. During October and November, Plaintiffs in the Consolidated Florida Action obtained additional information relating to the merger and the process leading to the merger agreement through discovery, including extensive document production and the depositions of the chief executive officer and lead independent director of LPS and the depositions of representatives of Goldman Sachs and Credit Suisse. On November 26, 2013, the Plaintiffs in the Consolidated Florida Action filed a brief in support of their Motion for Preliminary Injunction. On December 9, 2013, LPS and members of the LPS board of directors filed an Opposition to Plaintiffs’ Motion for a Preliminary Injunction. Also on December 9, 2013, FNF and THL filed an Opposition to Plaintiffs’ Motion for Preliminary Injunction and Incorporated Memorandum of Law in Support. On December 12, 2013, the parties to the Consolidated Florida Action entered into a memorandum of understanding (the “MOU”) reflecting an agreement in principle to resolve the claims asserted in the Consolidated Florida Action for breach of fiduciary duties as a result of the Merger and aiding and abetting breaches of fiduciary duties (the “Settled Claims”). The MOU provides that Plaintiffs in the Consolidated Florida Action will withdraw their Motion for

Preliminary Injunction and will not seek to enjoin the consummation of the transactions contemplated by the merger agreement. The MOU does not provide for or contemplate a release of the derivative claims unrelated to the merger that were asserted in the Wheatley and Hill actions prior to the announcement of the merger on May 28, 2013. The MOU provides that the parties will enter into a stipulation of settlement. The stipulation of settlement will be subject to customary conditions, including court approval. In the event that the parties enter into a stipulation of settlement, a hearing will be scheduled at which the settlement contemplated by the MOU will be submitted to the Circuit Court of the Fourth Judicial Circuit in and for Duval County, Florida for approval. If the settlement is finally approved by the Florida court, the Settled Claims will be dismissed with prejudice. As part of the settlement, the Defendants in the Florida Consolidated Action deny all allegations of wrongdoing and deny that the disclosures in the Definitive Proxy Statement were inadequate, but have agreed to provide supplemental disclosures. The settlement will not affect the timing of the Special Meeting of LPS stockholders or the Merger, or the amount of consideration to be paid in the Merger.

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The Defendants in the Florida Consolidated Action believe that no further disclosure is required under applicable laws; however, to seek to avoid the risk of the Consolidated Florida Action delaying or adversely affecting the Merger and to minimize the expense of defending such action, LPS has agreed, pursuant to the terms of the MOU, to make certain supplemental disclosures related to the proposed Merger. Those supplemental disclosures are contained below. LPS and the other named Defendants have vigorously denied, and continue vigorously to deny, that they have committed or aided and abetted in the commission of any violation of law or engaged in any of the wrongful acts that were or could have been alleged in the Consolidated Florida Action, and expressly maintain that, to the extent applicable, they diligently and scrupulously complied with their fiduciary and other legal duties and are providing these supplemental disclosures solely to seek to eliminate the burden and expense of further litigation, to put to rest claims relating to the Merger that have been or could have been asserted, and to avoid any possible delay to the closing of the Merger that might arise from further litigation. Nothing in this Current Report on Form 8-K shall be deemed an admission of the legal necessity or materiality under applicable laws of any of the disclosures set forth herein.

#### SUPPLEMENTAL AND AMENDED DISCLOSURE

Pursuant to the MOU, the Company has agreed to make the following supplemental disclosures to the Definitive Proxy Statement. This supplemental information should be read in conjunction with the Definitive Proxy Statement, which should be read in its entirety. Defined terms used but not defined herein have the meanings set forth in the Definitive Proxy Statement. To the extent that information in the supplemental disclosures below differs from or updates information contained in the Definitive Proxy Statement, the supplemental disclosures below are more current.

The following disclosure supplements the disclosure under the heading “THE MERGER—Background of the Merger” by amending and restating the paragraph beginning on the bottom of page 51 and ending at the top of page 52 as follows:

On May 21, 2012, the LPS board of directors met telephonically to continue discussing the proposal from THL and Financial Party A. Representatives of LPS management, as well as Goldman Sachs and Cravath, also participated. Representatives of Cravath provided the LPS board of directors with a review of its fiduciary duties. As part of that review, Cravath discussed with the LPS board of directors (as it had in the prior preliminary discussions in 2010 and as had been discussed with the LPS board of directors in April 2012) that it had to be cognizant of any potential conflicts of interest or any appearance of conflict of interest that any directors may have in any potential transaction. In that regard, Cravath reviewed again the potential conflicts of interest or appearance of conflicts of interest involving James Hunt, Mr. Harris and Mr. Kennedy. The LPS board of directors reiterated its approach to exclude James Hunt entirely from any consideration of a sale transaction, to exclude Mr. Harris from any discussions or deliberations but to continue to obtain his views about LPS’ business prospects and similar matters, and to allow Mr. Kennedy to participate in all aspects. Based upon this discussion and these procedural steps, the LPS board of directors did not believe it was necessary or appropriate to form a special committee in connection with its consideration of a potential transaction.

The following disclosure supplements the disclosure under the heading “THE MERGER—Background of the Merger” by amending and restating the second full paragraph on page 57 as follows:

On March 21, 2013, the LPS board of directors held an in-person meeting. Members of LPS management as well as representatives of Goldman Sachs, Credit Suisse (which had been engaged as an additional financial advisor on March 18, 2013) and Cravath were in attendance. The LPS directors received a presentation from LPS management concerning the strategic review of LPS’ business plan that had been conducted over the past several months by LPS management with the assistance of an outside consulting firm. LPS management and the outside consultant reviewed the business environment and anticipated challenges facing LPS through 2017. They reviewed the expected negative impact to LPS’ projected financial performance from macroeconomic trends affecting LPS’ business, including an expected decline in refinance volumes and a decrease in default volumes, all as reflected in financial projections for LPS prepared by LPS management. They reviewed various strategic initiatives that could be pursued to address these issues, as well as the current status, potential opportunities and challenges, markets and execution risks and costs. LPS management and the outside consultant also reviewed other potential strategic alternatives, including separating LPS’ technology and transaction services businesses, selling LPS’ transaction services business, acquisitions, joint ventures with LPS’ transaction services business and a sale of the company. The outside consulting firm provided the LPS board of directors with a theoretical optimistic case of financial projections for LPS that assumed the successful implementation of various strategic initiatives. While these projections were prepared with the input of LPS management, the LPS board of directors believed that there were substantial risks associated with pursuing the various strategic initiatives identified, and that the assumptions underlying the various cases were uncertain. Neither LPS management nor the LPS board of directors believed these optimistic case projections were likely to be achieved.

The following disclosure supplements the disclosure under the heading “THE MERGER—Background of the Merger” by amending and restating the fourth paragraph on page 57 as follows:

The LPS board of directors then discussed with LPS management, the outside consultant and LPS’ advisors the potential merits of soliciting and evaluating offers for a sale of LPS or its transaction services businesses in a sale process. The LPS board of directors discussed that the strategic initiatives identified by the outside consulting firm had substantial risk in execution, including that the financial projections presented by the outside consulting firm that assumed the successful implementation of those strategic initiatives were not reasonably likely to reflect accurately the future prospects of the company on a stand-alone basis. The LPS board of directors discussed that, in light of these considerations, a potential sale transaction was likely to generate the greatest value for LPS’ stockholders and to present less risk to LPS’ shareholders than the other strategic alternatives available to LPS. The LPS directors then authorized Credit Suisse to contact prospective parties regarding a potential sale of LPS or its transaction services business. The directors requested that LPS’ advisors provide the directors with input regarding the process to be undertaken, including potential parties to be contacted and a proposed timetable.

The following disclosure supplements the disclosure under the heading “THE MERGER—Background of the Merger” by amending and restating the second paragraph on page 59 as follows:

On May 3, 2013, the LPS board of directors held a telephonic meeting. Representatives of LPS management and LPS’ legal and financial advisors participated. Credit Suisse provided an update regarding the contacts and discussions with parties that had been invited to participate in the process and reviewed the indications of interest that had been received. Credit Suisse noted that only FNF had made a proposal to acquire all of LPS, and that the indications of interest from Strategic Party I and Financial Party F were only to acquire all or a portion of LPS’ transaction services business. Credit Suisse and Goldman Sachs reviewed financial information relating to LPS and the LPS board of directors reviewed projections prepared by LPS management that had been reviewed by the directors at prior meetings and shared with prospective purchasers. The directors reviewed slight modifications to the 2013 and 2014 projections

that took into account LPS' financial performance during the first quarter of 2013, which updates LPS' financial advisors indicated were not expected to result in any meaningful impact on their review of the financial aspects of a proposed transaction. The LPS board of directors discussed the various indications of interest that had been received. The LPS board of directors determined that a sale of LPS at an appropriate price would be more favorable to LPS' stockholders than a sale of just the transaction services business because the LPS directors believed that a sale of LPS as a whole would deliver greater value to its stockholders than a sale of a portion of LPS' business, and that a sale of, or a joint venture with, LPS' transaction services business would be very difficult to execute. After this discussion, the LPS board of directors instructed Credit Suisse to revert to FNF with a proposal for FNF to acquire LPS at a price of \$34.50 per share, and with the condition that a "collar" be incorporated into the pricing mechanism to protect the value of the FNF stock component of the merger consideration. The directors also discussed that LPS would need to conduct due diligence on FNF in light of the stock component of the transaction. Following the meeting, Credit Suisse conveyed this proposal to FNF.

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The following disclosure supplements the disclosure under the heading “THE MERGER—Certain LPS Financial Projections” by amending and restating the last sentence of the first paragraph on page 68 as follows:

However, LPS has included below certain information that was furnished to the LPS board of directors, LPS’ financial advisors, FNF, FNF’s financial advisors and THL in connection with the proposed merger.

The following disclosure supplements the disclosure under the heading “THE MERGER—Certain LPS Financial Projections” by amending and restating the second paragraph on page 68 as follows:

The financial forecasts relating to LPS included information for the years 2013 to 2017. Additionally, the management of LPS provided to the LPS board of directors and LPS’ financial advisors financial forecasts for Fidelity National Title Group, which consists of the operations of FNF’s title insurance underwriters and related businesses and provides title insurance and escrow and other title related services including collection and trust activities, trustee’s sales guarantees, recordings and reconveyances, and home warranty insurance (referred to as “FNTG”) for the years 2013 through 2017, which were based on projections for FNTG provided to LPS and THL by FNF. The management of LPS did not prepare financial forecasts for FNTG for any years subsequent to 2017.

The following disclosure supplements the disclosure under the heading “THE MERGER—Certain LPS Financial Projections” by amending and restating the paragraph beginning on the bottom of page 68 and continuing on the top of page 69 as follows:

Unlevered free cash flow estimates were derived by adjusting projections and estimates relating to LPS’ EBITDA to calculate LPS’ EBIT, or earnings before interest and taxes, which was further adjusted to add back depreciation and amortization and subtract capital expenditures, changes in working capital, and certain other non-recurring expenses as detailed below. The unlevered free cash flow estimates were based entirely on projections and estimates prepared by LPS and were reviewed and approved by LPS’ management for Credit Suisse’s and Goldman Sachs’ use in connection with their respective financial analyses. LPS management did not prepare unlevered free cash flow estimates for any years subsequent to 2017. The unlevered free cash flow estimates are provided below.

The following disclosure supplements the disclosure under the heading “THE MERGER—Opinions of LPS’ Financial Advisors—Opinion of Credit Suisse Securities (USA) LLC to the LPS Board of Directors—LPS Financial Analyses” by amending and restating the sixth sentence of the second full paragraph on page 74 as follows:

For purposes of the financial analyses summarized below, the term “implied merger consideration” refers to \$32.52 per share calculated based on the original merger consideration mix provided for in the merger agreement, prior to FNF’s exercise of its option under the merger agreement to increase the cash component, and correspondingly decrease the stock component, of the merger consideration, as (i) the cash consideration of \$16.625 per share and (ii) the implied value of the stock consideration of \$15.895 per share based on the 0.65224 exchange ratio and FNF’s closing stock price of \$24.37 per share on May 22, 2013 (the last trading day prior to the publication of an article relating to the proposed merger).



The following disclosure supplements the disclosure under the heading “THE MERGER—Opinions of LPS’ Financial Advisors—Opinion of Credit Suisse Securities (USA) LLC to the LPS Board of Directors—LPS Financial Analyses” by adding the following text after the first sentence of the full paragraph on page 75:

Calendar year 2013 estimated EBITDA multiples observed for the selected companies were as follows:

Selected Financial Processors	CY2013E EBITDA Multiples
Altisource Portfolio Solutions S.A.	11.7x
Fidelity National Information Services, Inc.	9.6x
Fiserv, Inc.	10.1x
Jack Henry & Associates, Inc.	10.4x
Total System Services, Inc.	7.8x

Selected Mortgage Servicers	CY2013E EBITDA Multiples
Ocwen Financial Corporation	6.5x
Nationstar Mortgage Holdings Inc.	5.7x
Walter Investment Management Corp.	4.0x

Selected Technology, Data & Analytics Companies	CY2013E EBITDA Multiples
CoreLogic, Inc.	6.8x
Ellie Mae, Inc.	17.6x
Equifax Inc.	11.2x
Experian Group Limited	12.8x
Fair Isaac Corporation	10.6x
Verisk Analytics, Inc.	14.8x

Selected Government IT Companies	CY2013E EBITDA Multiples
Booz Allen Hamilton Holding Corporation	8.3x
CACI International Inc.	6.9x
ManTech International Corporation	5.8x
SAIC, Inc.	7.5x

The following disclosure supplements the disclosure under the heading “THE MERGER—Opinions of LPS’ Financial Advisors—Opinion of Credit Suisse Securities (USA) LLC to the LPS Board of Directors—LPS Financial Analyses—Discounted Cash Flow Analysis” by adding the following text after the first sentence of the second full paragraph on page 76:

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Latest 12 months EBITDA multiples observed for the selected transactions were as follows (transactions for which such information was not publicly available are designated as “NA”):

Announcement Date	Acquiror	Target	LTM EBITDA Multiples
01/31/13	ACI Worldwide, Inc.	Online Resources Corporation	7.8x
01/14/13	Fiserv, Inc.	Open Solutions Inc.	8.5x
02/20/12	Vista Equity Partners	Misys plc	14.0x
09/16/11	GTCR, LLC	Fundtech Ltd.	18.8x
01/11/11	CoreLogic, Inc.	RP Data Limited	12.8x
09/15/10	Fifth Third Processing Solutions LLC	NPC Group, Inc.	8.1x
07/01/10	Apollo Global Management, LLC	EVERTEC, Inc.	7.7x
03/01/10	Total System Services, Inc.	First National Merchant Solutions, LLC	NA
09/28/09	Xerox Corporation	Affiliated Computer Services, Inc.	7.3x
06/29/09	The First American Corporation	First Advantage Corporation	8.3x
04/01/09	Fidelity National Information Services, Inc.	Metavante Technologies, Inc.	9.2x
03/30/09	Advent International Corporation	Fifth Third Processing Solutions LLC	8.2x
05/13/08	Hewlett-Packard Company	Electronic Data Systems LLC	5.7x
06/27/07	Fidelity National Information Services, Inc.	eFunds Corporation	13.4x
12/20/06	M&F Worldwide Corp.	John H. Harland Company	7.5x
10/15/06	Carlyle Group and Providence Equity Partners	Open Solutions Inc.	12.2x
09/15/05	Fidelity National Information Services, Inc.	Certegy Inc.	10.3x
09/15/05	Open Solutions Inc.	The BISYS Group, Inc. (information services business)	6.0x
09/09/04	Fidelity National Financial, Inc.	InterCept, Inc.	15.0x
02/09/04	Fidelity National Financial, Inc.	Aurum Technology, Inc.	NA
09/04/03	The First American Corporation	Transamerica Finance Corporation (real estate tax service and flood hazard certification businesses)	NA
07/11/03	Fidelity National Financial, Inc.	Fidelity National Information Solutions, Inc.	12.4x
01/29/03	Fidelity National Financial, Inc.	Alltel Information Services, Inc.	5.0x

The following disclosure supplements the disclosure under the heading “THE MERGER—Opinions of LPS’ Financial Advisors—Opinion of Credit Suisse Securities (USA) LLC to the LPS Board of Directors—LPS Financial Analyses—Discounted Cash Flow Analysis” by amending and restating the second sentence of the first paragraph on page 77 as follows:

Credit Suisse calculated terminal values for LPS by applying to the estimated EBITDA of LPS for the fiscal year ending December 31, 2018 a range of terminal value EBITDA multiples of 5.5x to 7.5x derived based on Credit Suisse's professional judgment and taking into account, among other things, historical EBITDA multiples and calendar year 2013 estimated EBITDA multiples of LPS and the selected companies described under "LPS Financial Analyses—Selected Companies Analysis".

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The following disclosure supplements the disclosure under the heading “THE MERGER—Opinions of LPS’ Financial Advisors—Opinion of Goldman, Sachs & Co. to the LPS Board of Directors—LPS Financial Analysis” by adding the following text after the second full paragraph on page 85:

Goldman Sachs calculated various financial multiples and percentages for each of the selected companies and LPS based on historical financial information for each company obtained from its publicly available financial statements, estimates of its future results from the most recently published estimates (as of March 24, 2013) of the Institutional Brokers' Estimate System, or IBES, or other Wall Street research analysts, and, in the case of LPS, also based on estimates for LPS reflected in the Forecasts. For purposes of this analysis, Goldman Sachs calculated an enterprise value for each company by multiplying the company’s closing share price on May 24, 2013, the last trading day prior to the announcement of the merger (and, in the case of LPS, on May 22, 2013, the last full trading day before a media report was issued stating that FNF was in discussions to acquire LPS) by its number of fully diluted shares outstanding as reflected in the company’s public filings and adding to that result the amount of the company’s net debt calculated based on financial information for each company obtained from its then most recent publicly available financial statements.

The table below provides the following financial multiples Goldman Sachs calculated and compared for LPS and each of the selected companies:

its enterprise value as a multiple of estimated EBITDA for the company for 2013 and 2014; and

its share price (as of May 24, 2013, or in the case of LPS, May 22, 2013) as a multiple of estimated EPS for the company for 2013.

	2013E EV/EBITDA Multiples	2013E Calendarized P/E Multiples
LPS (IBES)	7.2x	11.1x
LPS (Management Forecasts)	6.8x	10.7x
CoreLogic Inc.	7.0	14.9

Selected Financial  
Processing Companies

Fiserv	10.0x	14.8x
FIS	9.8x	15.9x
Total System Services	8.6x	16.1x
Jack Henry & Associates	10.4x	18.5x
Altisource Portfolio Solutions S.A.	14.0x	15.8x

Selected Mortgage Servicer  
Companies

2013E

	Calendarized P/E Multiples
Ocwen	9.8x
Nationstar	9.6x
Walter	7.3x

Selected Title Companies

Fidelity National Financial (IBES)	13.2x
First American	11.5x
Old Republic	NM
Stewart Information	12.5x

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The following disclosure supplements the disclosure under the heading “THE MERGER—Opinions of LPS’ Financial Advisors—Opinion of Goldman, Sachs & Co. to the LPS Board of Directors—LPS Financial Analysis” by amending and restating the fourth full paragraph on page 86 as follows:

**Illustrative Discounted Cash Flow Analysis.** Goldman Sachs performed an illustrative discounted cash flow analysis of LPS to determine a range of illustrative implied present values per share of LPS based on estimates of the unlevered free cash flows for LPS for the years ending December 31, 2013 through 2017 based on the Forecasts. Utilizing discount rates ranging from 8.5% to 10.0%, reflecting estimates of LPS’ weighted average cost of capital, Goldman Sachs derived a range of implied enterprise values for LPS by discounting to present value (i) estimates of the unlevered free cash flows for LPS during the nine-month period ended December 31, 2013 and for the years 2014-2017 based on the Forecasts and (ii) a range of illustrative terminal values for LPS as of December 31, 2017. Goldman Sachs derived the range of illustrative terminal values for LPS by applying illustrative EBITDA multiples ranging from 5.5x to 7.5x, which range was determined by Goldman Sachs based on its review of the EBITDA multiples summarized in the table above entitled “Enterprise Value as a Multiple of One Year Forward IBES Estimated EBITDA” under the “Selected Companies Analysis” and in the table below under “Selected Transactions Analysis” and utilizing its professional judgment and experience, to LPS management’s estimated 2017 EBITDA for LPS as reflected in the Forecasts. Goldman Sachs then deducted LPS’ net debt as of March 31, 2013 from the range of implied enterprise values it derived and divided the results by the number of fully diluted outstanding shares of LPS, as provided by LPS management, to derive a range of implied present values of \$26.50 to \$37.25 per share of LPS.

The following disclosure supplements the disclosure under the heading “THE MERGER—Opinions of LPS’ Financial Advisors—Opinion of Goldman, Sachs & Co. to the LPS Board of Directors—LPS Financial Analysis” by amending and restating the entire section beginning on page 86 under the heading “Selected Transactions Analysis” and ending on page 87 before the heading “Illustrative Present Value of Future Stock Price Analysis” as follows:

**Selected Transactions Analysis.** Goldman Sachs analyzed certain information relating to the following selected transactions involving companies in the transaction processing industry since 2005:

CGI Group Holdings Europe Limited’s acquisition of Logica plc

Xerox Corporation’s acquisition of Affiliated Computer Services, Inc.

Fidelity National Information Services, Inc.’s acquisition of Metavante Technologies, Inc.

Fidelity National Information Services, Inc.’s acquisition of Certegy, Inc.

Advent International’s acquisition of Fifth Third Processing Solutions, LLC’s

Hewlett-Packard Company’s acquisition of Electronic Data Systems Corporation

M&F Worldwide Corp.’s acquisition of John H. Harland Company

While none of the companies that participated in the selected transactions is directly comparable to LPS and none of the transactions in the selected transactions analysis is directly comparable to the merger, Goldman Sachs selected these transactions because each of the target companies in the selected transactions was involved in the

transaction processing industry. For each of the selected transactions, Goldman Sachs calculated and compared enterprise value as a multiple of the EBITDA of the target company over the last completed four quarter, or the LTM, period prior to the announcement of the applicable transaction based on information in public filings, press releases and financial media reports relating to the applicable transaction. The results of these calculations are set forth below:

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Date Announced	Target/ Acquiror	Enterprise Value as a Multiple of LTM EBITDA
31-May-2012	Logica/ CGI	7.7x
28-Sep-2009	Affiliated Computer Services (ACS)/ Xerox	7.3x
1-Apr-2009	Metavante/Fidelity National Information Services	9.2x
30-March-2009	Fifth Third Processing (51%)/ Advent	8.2x
13-May-2008	Electronic Data Systems/ Hewlett Packard	5.7x
20-Dec-2006	John H Harland/ M&F Worldwide	7.5x
15-Sep-2005	Certegy/ Fidelity National Information Services	10.3x
	Low	5.7x
	Median	7.5x
	High	10.3x

Based on its analysis of the foregoing enterprise values to LTM EBITDA multiples, and utilizing its professional judgment and experience, Goldman Sachs applied illustrative enterprise values to LTM EBITDA multiples ranging from 6.0x to 7.5x to LPS' EBITDA for the four quarter period ended March 31, 2013, to derive a range of implied enterprise values for LPS. Goldman Sachs then deducted LPS' net debt as of March 31, 2013 from this range of implied enterprise values and divided the results by the number of fully diluted outstanding shares of LPS, as provided by LPS management, to derive a range of implied values per share of LPS of \$25.42 to \$34.41.

#### Cautionary Statement Regarding Forward-Looking Statements

Certain statements in this communication regarding the proposed acquisition of the Company by FNF, the expected timetable for completing the transaction, benefits and synergies of the transaction, future opportunities for the combined company and products and any other statements regarding FNF's and the Company's future expectations, beliefs, plans, objectives, financial conditions, assumptions or future events or performance that are not historical facts are "forward-looking" statements made within the meaning of Section 21E of the Securities Exchange Act of 1934. These statements are often, but not always, made through the use of words or phrases such as "believe," "anticipate," "should," "intend," "plan," "will," "expect(s)," "estimate(s)," "project(s)," "positioned," "strategy," "outlook" and similar expressions. Such forward-looking statements involve estimates and assumptions that are subject to risks, uncertainties and other factors that could cause actual results to differ materially from the results expressed in the statements. Among the key factors that could cause actual results to differ materially from those projected in the forward-looking statements are the following: the ability to consummate the proposed transaction; the ability to obtain requisite regulatory and stockholder approval and the satisfaction of other conditions to the consummation of the proposed transaction; the ability of FNF to successfully integrate LPS' operations and employees and realize anticipated synergies and cost savings; the potential impact of the announcement or consummation of the proposed transaction on relationships, including with employees, suppliers, customers and competitors; FNF and the Company are subject to intense competition and increased competition is expected in the future; the Company's ability to adapt its services to changes in technology or the marketplace; the impact of changes in the level of real estate activity (including, among others,



loan originations, and refinancings in particular, and foreclosures) on demand for certain of the Company's services; the Company's ability to maintain and grow its relationship with its customers; the effects of the Company's substantial leverage on its ability to make acquisitions and invest in its business; the level of scrutiny being placed on participants in the foreclosure business; risks associated with federal and state enforcement proceedings, inquiries and examinations currently underway or that may be commenced in the future with respect to the Company's default management operations, and with civil litigation relating to these matters; changes to the laws, rules and regulations that regulate the Company's businesses as a result of the current economic and financial environment; changes in general economic, business and political conditions, including changes in the financial markets; the impact of any potential defects, development delays, installation difficulties or system failures on the Company's business and reputation; and risks associated with protecting information security and privacy. Additional information concerning these and other factors can be found in the Company's and FNF's filings with the Securities and Exchange Commission ("SEC"), including the Company's and FNF's most recent Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and the definitive proxy statement/prospectus filed with the SEC on October 31, 2013. FNF and the Company assume no obligation to update the information in this communication, except as otherwise required by law. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof and the Company undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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#### Additional Information and Where to Find It

This communication may be deemed to be solicitation material in respect of the proposed acquisition of the Company by FNF. In connection with the proposed acquisition, the Company and FNF have filed relevant materials with the SEC, including FNF's registration statement on Form S-4 filed on October 31, 2013 that included a definitive proxy statement of the Company that also constitutes a prospectus of FNF. Investors and security holders are urged to read all relevant documents filed with the SEC, including the definitive proxy statement/prospectus, because they will contain important information about the proposed transaction. Investors and security holders are able to obtain the documents (once available) free of charge at the SEC's website, <http://www.sec.gov>, or for free from the Company by contacting Nancy Murphy, LPS Vice President, Investor Relations, 904-854-8640, [Nancy.Murphy@lpsvcs.com](mailto:Nancy.Murphy@lpsvcs.com), or for free from FNF by contacting Daniel Kennedy Murphy, FNF Senior Vice President and Treasurer, 904-854-8120, [dkmurphy@fnf.com](mailto:dkmurphy@fnf.com). Such documents are not currently available.

#### Participants in Solicitation

FNF and its directors, executive officers and certain employees, and the Company and its directors, executive officers and certain employees, may be deemed to be participants in the solicitation of proxies from the holders of Company Common Stock in respect of the proposed transaction. Information about the Company's directors and executive officers is set forth in the proxy statement for the Company's 2013 Annual Meeting of stockholders, which was filed with the SEC on April 9, 2013. To the extent holdings of the Company securities have changed since the amounts contained in the proxy statement for the Company's 2013 Annual Meeting of stockholders, such changes have been or will be reflected on Statements of Change in Ownership on Form 4 filed with the SEC. Information about FNF's directors and executive officers is set forth in the proxy statement for FNF's 2013 Annual Meeting of stockholders, which was filed with the SEC on April 12, 2013. To the extent holdings of FNF securities have changed since the amounts contained in the proxy statement for FNF's 2013 Annual Meeting of stockholders, such changes have been or will be reflected on Statements of Change in Ownership on Form 4 filed with the SEC. Investors may obtain additional information regarding the interest of such participants by reading the definitive proxy statement/prospectus regarding the acquisition which was filed by FNF with the SEC on October 31, 2013. These documents (when available) may be obtained free of charge from the SEC's website <http://www.sec.gov>, or from the Company and FNF using the contact information above.

#### Non-Solicitation

This communication shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: December 12, 2013

LENDER PROCESSING SERVICES, INC.

By: /s/ Todd C. Johnson  
Todd C. Johnson  
Executive Vice President and  
General Counsel and Corporate  
Secretary

TEXT-INDENT: -9pt; MARGIN-RIGHT: 5.05pt" align="left">Bank overdrafts	20,933	35,384
Accrued compensation		
	5,241	6,170
Current maturities of long-term debt		
	120,175	8,946
Deferred income taxes, net		
	449	449
Other current liabilities		
	15,867	10,937
Total current liabilities		
	290,432	139,736
Non-current liabilities:		
Long-term debt		
	381,579	368,446
Other non-current liabilities		
	57,134	57,146
Total liabilities		
	729,145	565,328
Stockholders' Deficit:		
Common Stock, \$0.01 par value, 200,000,000 shares authorized at June 29, 2013 and December 29, 2012; 86,570,714 and 63,664,115 shares issued at June 29, 2013 and December 29, 2012, respectively.		
	866	637
Additional paid-in capital		
	249,683	209,815
Accumulated other comprehensive loss		
	(29,437)	(30,042)
Accumulated deficit		
	(235,957)	(201,002)
Total stockholders' deficit		
	(14,845)	(20,592)
Total liabilities and stockholders' deficit		
	\$714,300	\$544,736

See accompanying notes.

BLUELINX HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In thousands)  
(unaudited)

	Six Months Ended Period from December 30, 2012 to June 29, 2013	Period from January 1, 2012 to June 30, 2012
Cash flows from operating activities:		
Net loss	\$ (34,955 )	\$ (14,725 )
Adjustments to reconcile net loss to net cash used in operations:		
Depreciation and amortization	4,402	4,447
Amortization of debt issuance costs	1,671	1,863
Write-off of debt issuance costs	119	—
Gain from sale of properties	(230 )	(530 )
Gain from property insurance settlement	—	(476 )
Vacant property charges, net	—	(78 )
Severance charges	4,331	—
Payments on modification of lease agreement	—	(5,000 )
Deferred income tax benefit	—	(24 )
Share-based compensation expense	4,327	1,420
(Increase) decrease in restricted cash related to insurance and other	(85 )	657
Other	855	5,585
	(19,565 )	(6,861 )
Changes in primary working capital components:		
Receivables	(75,529 )	(63,242 )
Inventories	(88,378 )	(50,053 )
Accounts payable	49,815	10,050
Net cash used in operating activities	(133,657 )	(110,106 )
Cash flows from investing activities:		
Property, plant and equipment investments	(2,965 )	(2,140 )
Proceeds from disposition of assets	443	1,915
Net cash used in investing activities	(2,522 )	(225 )
Cash flows from financing activities:		
Excess tax benefits from share-based compensation arrangements	16	—
Repurchase of shares to satisfy employee tax withholdings	(2,867 )	(424 )
Repayments on the revolving credit facilities	(266,845 )	(201,403 )
Borrowings from the revolving credit facilities	395,383	313,666
Payments of principal on mortgage	(4,176 )	(7,747 )
Payments on capital lease obligations	(768 )	(414 )
(Decrease) increase in bank overdrafts	(14,451 )	8,339
Increase in restricted cash related to the mortgage	(2,800 )	—
Debt issuance costs	(2,830 )	(1,433 )
Proceeds from stock offering less expenses paid	38,715	—

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Net cash provided by financing activities	139,377	110,584
Increase in cash	3,198	253
Balance, beginning of period	5,188	4,898
Balance, end of period	\$ 8,386	\$ 5,151
Noncash transactions:		
Capital leases	\$ —	\$ 32

See accompanying notes.

BLUELINX HOLDINGS INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 29, 2013

1. Basis of Presentation and Background

Basis of Presentation

BlueLinx Holdings Inc. has prepared the accompanying Unaudited Consolidated Financial Statements, including its accounts and the accounts of its wholly-owned subsidiaries, in accordance with the instructions to Form 10-Q, and therefore they do not include all of the information and notes required by United States generally accepted accounting principles ("GAAP"). These interim financial statements should be read in conjunction with the financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 29, 2012, as filed with the Securities and Exchange Commission ("SEC"). Our fiscal year is a 52- or 53-week period ending on the Saturday closest to the end of the calendar year. Fiscal year 2013 and fiscal year 2012 contain 53 weeks and 52 weeks, respectively. BlueLinx Corporation is the wholly-owned operating subsidiary of BlueLinx Holdings Inc. and is referred to herein as the "operating subsidiary" when necessary.

We believe the accompanying Unaudited Consolidated Financial Statements reflect all adjustments, consisting only of normal recurring adjustments and other nonrecurring adjustments disclosed in the subsequent notes to the consolidated financial statements, necessary for a fair presentation of our financial position, results of operations and cash flows for the periods presented. The preparation of the consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the amounts reported in the Unaudited Consolidated Financial Statements and accompanying notes. Actual results could differ from those estimates and such differences could be material. In addition, the operating results for interim periods may not be indicative of the results of operations for a full year. We are exposed to fluctuations in quarterly sales volumes and expenses due to seasonal factors, with the second and third quarters typically accounting for the highest sales volumes. These seasonal factors are common in the building products distribution industry.

We are a leading distributor of building products in North America with approximately 1,870 employees. We offer approximately 10,000 products from over 750 suppliers to service more than 11,500 customers nationwide, including dealers, industrial manufacturers, manufactured housing producers and home improvement retailers. We operate our distribution business from sales centers in Atlanta and Denver, and our current network of approximately 55 distribution centers.

2. Summary of Significant Accounting Policies

Revenue Recognition

We recognize revenue when the following criteria are met: persuasive evidence of an agreement exists, delivery has occurred or services have been rendered, our price to the buyer is fixed and determinable and collectability is reasonably assured. Delivery is not considered to have occurred until the customer takes title and assumes the risks and rewards of ownership. The timing of revenue recognition is largely dependent on shipping terms. For sales transactions designated as FOB (free on board) shipping point, revenue is recorded at the time of shipment. For sales transactions designated FOB destination, revenue is recorded when the product is delivered to the customer's delivery site.

All revenues are recorded gross. The key indicators used to determine when and how revenue is recorded are as follows:

We are the primary obligor responsible for fulfillment and all other aspects of the customer relationship.

Title passes to BlueLinux, and we carry all risk of loss related to warehouse and third-party (“reload”) inventory and inventory shipped directly from vendors to our customers.

We are responsible for all product returns.

We control the selling price for all channels.

We select the supplier.

We bear all credit risk.



In addition, we provide inventory to certain customers through pre-arranged agreements on a consignment basis. Customer consigned inventory is maintained and stored by certain customers; however, ownership and risk of loss remain with us. When the inventory is sold by the customer, we recognize revenue on a gross basis. Customer consigned inventory at June 29, 2013 and December 29, 2012 was approximately \$13.7 million and \$10.3 million, respectively.

All revenues recognized are net of trade allowances, cash discounts and sales returns. Cash discounts and sales returns are estimated using historical experience. Trade allowances are based on the estimated obligations and historical experience.

#### Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with maturity dates of less than three months when purchased.

#### Restricted Cash

We had restricted cash of \$12.8 million and \$9.9 million at June 29, 2013 and December 29, 2012, respectively. Restricted cash primarily includes amounts held in escrow related to our mortgage and insurance for workers' compensation, auto liability, and general liability. Restricted cash is included in "Other current assets" and "Other non-current assets" on the accompanying Consolidated Balance Sheets.

The table below provides the balances of each individual component in restricted cash as of June 29, 2013 and December 29, 2012 (in thousands):

	June 29, 2013	December 29, 2012
Cash in escrow:		
Mortgage(1)	\$ 2,841	\$ 41
Insurance	7,913	7,906
Other	2,042	1,964
Total	\$ 12,796	\$ 9,911

(1)The increase in cash in escrow related to the mortgage is primarily comprised of restricted cash held as collateral under the mortgage agreement which was used to prepay mortgage indebtedness on the first business day of the third quarter of fiscal 2013. See "Note 7 – Mortgage" for further discussion.

#### Allowance for Doubtful Accounts and Related Reserves

We evaluate the collectability of accounts receivable based on numerous factors, including past transaction history with customers and their creditworthiness. We maintain an allowance for doubtful accounts for each aging category on our aged trial balance, which is aged utilizing contractual terms, based on our historical loss experience. This estimate is periodically adjusted when we become aware of specific customers' inability to meet their financial obligations (e.g., bankruptcy filing or other evidence of liquidity problems). As we determine that specific balances ultimately will be uncollectible, we remove them from our aged trial balance. Additionally, we maintain reserves for cash discounts that we expect customers to earn as well as expected returns. At June 29, 2013 and December 29, 2012, these reserves totaled \$5.9 million and \$4.7 million, respectively.

## Inventory Valuation

Inventories are carried at the lower of cost or market. The cost of all inventories is determined by the moving average cost method. We have included all material charges directly or indirectly incurred in bringing inventory to its existing condition and location. We evaluate our inventory value at the end of each quarter to ensure that first quality, actively moving inventory, when viewed by category, is carried at the lower of cost or market. During the second quarter of fiscal 2013, we recorded in "Cost of sales" in the Consolidated Statements of Operations and Comprehensive Loss a lower of cost or market charge of \$3.8 million related to declines in prices for our lumber, oriented strand board ("OSB") and plywood inventory. At December 29, 2012, the market value of our inventory exceeded its cost.

Additionally, we maintain a reserve for the estimated value impairment associated with damaged, excess and obsolete inventory. The damaged, excess and obsolete reserve generally includes discontinued items or inventory that has turn days in excess of 270 days, excluding new items during their product launch. At June 29, 2013 and December 29, 2012, our damaged, excess and obsolete inventory reserves were \$2.2 million and \$1.1 million, respectively. The damaged, excess and obsolete inventory reserve at June 29, 2013 includes \$1.0 million related to the potential sale or closure of five distribution centers which is recorded in "Cost of sales" in the Consolidated Statements of Operations and Comprehensive Loss. We discuss the potential sale or closure of these distribution centers, which is included in the 2013 Restructuring (the "2013 Restructuring"), further in "Note 3 – Restructuring Charges".

### Consignment Inventory

We enter into consignment inventory agreements with our vendors. This vendor consignment inventory relationship allows us to obtain and store vendor inventory at our warehouses and reload facilities; however, ownership remains with the vendor and risk of loss generally remains with the vendor. When the inventory is sold, we are required to pay the vendor, and we simultaneously take and transfer ownership from the vendor to the customer.

### *Consideration Received from Vendors and Consideration Paid to Customers*

Each year, we enter into agreements with many of our vendors providing for inventory purchase rebates, generally based on the achievement of specified volume purchasing levels. We also receive rebates related to price protection and various marketing allowances that are common industry practice. We accrue for the receipt of vendor rebates based on purchases, and also reduce inventory value to reflect the net acquisition cost (purchase price less expected purchase rebates). At June 29, 2013 and December 29, 2012, the vendor rebate receivable totaled \$7.5 million at June 29, 2013 and \$9.0 million, respectively.

In addition, we enter into agreements with many of our customers to offer customer rebates, generally based on achievement of specified volume sales levels and various marketing allowances that are common industry practice. We accrue for the payment of customer rebates based on sales to the customer, and also reduce sales value to reflect the net sales (sales price less expected customer rebates). At June 29, 2013 and December 29, 2012, the customer rebate payable totaled \$4.4 million and \$5.5 million, respectively.

### Loss per Common Share

Certain of our restricted stock awards are considered participating securities as they receive non-forfeitable rights to dividends at the same rate as common stock. As participating securities, we include these instruments in the earnings allocation in computing income per share under the two-class method. The two-class method is an earnings allocation formula that treats a participating security as having rights to earnings that otherwise would have been available to common stockholders.

Given that the restricted stockholders do not have a contractual obligation to participate in the losses and the inclusion of such unvested restricted shares in our basic and dilutive per share calculations would be anti-dilutive, we have not included these amounts in our weighted average number of common shares outstanding for periods in which we report a net loss. Therefore, we have not included 1,984,911 and 3,610,274 of unvested shares of restricted stock that had the right to participate in dividends in our basic and dilutive calculations for the first six months of fiscal 2013 and for the first six months of fiscal 2012, respectively.

Except when the effect would be anti-dilutive, the diluted earnings per share calculation includes the dilutive effect of the assumed exercise of stock options and performance shares using the treasury stock method. During the first six months of fiscal 2013, we granted 2,969,424 performance shares under our 2006 Long-Term Incentive Plan in which shares are issuable upon satisfaction of certain performance criteria. As of June 29, 2013, we assumed that 2,348,017 of these performance shares will vest, net of forfeitures and vestings to date, based on our assumption that meeting the performance criteria is probable. The performance shares are not considered participating shares under the two-class method because they do not receive any non-transferable rights to dividends. The 2,348,017 performance shares we assume will vest were not included in the computation of diluted earnings per share calculation because they were antidilutive. Our restricted stock units are settled in cash upon vesting and are considered liability awards. Therefore, these restricted stock units are not included in the computation of the basic and diluted earnings per share. All of our

restricted stock units were vested as of the first fiscal quarter of 2012.

As we experienced losses in all periods, basic and diluted loss per share are computed by dividing net loss by the weighted average number of common shares outstanding for these respective periods. For the first six months of fiscal 2013, we excluded 5,203,075 of unvested share-based awards, which includes excluding the assumed exercise of 870,147 unexpired stock options and 2,348,017 performance shares, from the diluted earnings per share calculation because they were anti-dilutive. For the first six months of fiscal 2012, we excluded 4,515,590 of unvested share-based awards, which includes excluding the assumed exercise of 905,316 unexpired stock options, from the diluted earnings per share calculation because they were anti-dilutive.

On March 27, 2013, we completed a rights offering (the “2013 Rights Offering”) of common stock to our stockholders at a subscription price that was lower than the market price of our common stock. The 2013 Rights Offering was deemed to contain a bonus element that is similar to a stock dividend, requiring us to adjust the weighted average number of common shares used to calculate basic and diluted earnings per share in prior periods retrospectively by a factor of 1.0894. Weighted average shares for the quarter and six months ended June 30, 2012 prior to giving effect to the 2013 Rights Offering were 60,097,558 and 60,050,459, respectively and were 65,471,450 and 65,420,140, respectively, after application of the adjustment factor noted above.

#### Stock-Based Compensation

We have two stock-based compensation plans covering officers, directors, certain employees and consultants: the 2004 Equity Incentive Plan (the “2004 Plan”) and the 2006 Long Term Equity Incentive Plan (the “2006 Plan”). The plans are designed to motivate and retain individuals who are responsible for the attainment of our primary long-term performance goals. The plans provide a means whereby our employees and directors develop a sense of proprietorship and personal involvement in our development and financial success and encourage them to devote their best efforts to our business. Although we do not have a formal policy on the matter, we issue new shares of our common stock to participants, upon the exercise of options, upon the granting of restricted stock or upon the vesting of performance shares, out of the total amount of common shares authorized for issuance under either the 2004 Plan or the 2006 Plan. During the first six months of fiscal 2013, the Compensation Committee granted 1,180,185 restricted shares of our common stock to certain of our officers and directors. During the second quarter of fiscal 2013, we announced that George R. Judd would no longer serve as President and Chief Executive Officer of the Company (the “change in executive leadership”). Due to this change in executive leadership, 1,081,071 restricted shares vested. Restricted shares of 2,208,823 vested in the first six months of fiscal 2013 due to the completion of the vesting term and the modification related to the change in executive leadership. In addition, during the first six months of fiscal 2013 the Compensation Committee granted certain of our executive officers and directors awards of performance shares of our common stock. These awards, which totaled 2,969,424 performance shares, are contingent upon the successful achievement of certain financial and strategic goals approved by the Compensation Committee. In conjunction with the change in executive leadership, performance shares of 498,370 vested due to the removal of vesting and performance criteria.

We recognize compensation expense equal to the grant-date fair value for all share-based payment awards that are expected to vest. This expense is recorded on a straight-line basis over the requisite service period of the entire award, unless the awards are subject to market or performance conditions, in which case we recognize compensation expense over the requisite service period of each separate vesting tranche to the extent the occurrence of such conditions are probable. All compensation expense related to our share-based payment awards is recorded in “Selling, general and administrative” expense in the Consolidated Statements of Operations. For the second quarter and for the first six months of fiscal 2013, our total stock-based compensation expense was \$3.5 million and \$4.3 million, respectively. Approximately \$2.5 million of total stock-based compensation during the second quarter of fiscal 2013 and for the first six months of fiscal 2013 is related to the change in executive leadership. For the second quarter and for the first six months of fiscal 2012, our total stock-based compensation expense was \$0.7 and \$1.4 million, respectively. We did not recognize related material income tax benefits during these periods.

#### Income Taxes

Deferred income taxes are provided using the liability method. Accordingly, deferred income taxes are recognized for differences between the income tax and financial reporting bases of our assets and liabilities based on enacted tax laws and tax rates applicable to the periods in which the differences are expected to affect taxable income. We recognize a

valuation allowance, when based on the weight of all available evidence, we believe it is more likely than not that some or all of our deferred tax assets will not be realized. In evaluating our ability to recover our deferred income tax assets, we considered available positive and negative evidence, including our past operating results, our ability to carryback losses against prior taxable income, the existence of cumulative losses in the most recent years, our forecast of future taxable income and an excess of appreciated assets over the tax basis of our net assets. In estimating future taxable income, we developed assumptions including the amount of future state and federal pretax operating and non-operating income, the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. These assumptions required significant judgment about the forecasts of future taxable income. We considered all of the available positive and negative evidence during the second quarter of fiscal 2013, and based on the weight of available evidence, we recorded an additional deferred tax asset and valuation allowance of \$8.8 million relating to our current period net operating losses, which resulted in a total net deferred tax asset of \$91.7 million with a valuation allowance of a corresponding amount as of June 29, 2013. As of December 29, 2012, our total net deferred tax asset was \$78.0 million with a valuation allowance of a corresponding amount.

If the realization of deferred tax assets in the future is considered more likely than not, a reduction to the valuation allowance related to the deferred tax assets would increase net income in the period such determination is made. The amount of the deferred tax asset considered realizable is based on significant estimates, and it is possible that changes in these estimates could materially affect the financial condition and results of operations. Our effective tax rate may vary from period to period based on changes in estimated taxable income or loss; changes to the valuation allowance; changes to federal or state tax laws; and as a result of acquisitions.

We generally believe that the positions taken on previously filed tax returns are more likely than not to be sustained by the taxing authorities. We have recorded income tax and related interest liabilities where we believe our position may not be sustained. Such amounts are disclosed in Note 5 in our Annual Report on Form 10-K for the year-ended December 29, 2012. There have been no material changes to our tax positions during the first six months of fiscal 2013.

#### Impairment of Long-Lived Assets

We consider whether there are indicators of potential impairment of long-lived assets, primarily property, plant, and equipment, on a quarterly basis. Indicators of impairment include current period losses combined with a history of losses, management's decision to exit a facility, reductions in the fair market value of real properties and changes in other circumstances that indicate the carrying amount of an asset may not be recoverable.

Our evaluation of long-lived assets is performed at the lowest level of identifiable cash flows, which is generally the individual distribution facility. In the event of indicators of impairment, the assets of the distribution facility are evaluated by comparing the facility's undiscounted cash flows over the estimated useful life of the asset, which ranges between 5-40 years, to its carrying value. If the carrying value is greater than the undiscounted cash flows, an impairment loss is recognized for the difference between the carrying value of the asset and the estimated fair market value. Impairment losses are recorded as a component of "Selling, general and administrative" expenses in the Consolidated Statements of Operations.

Our estimate of undiscounted cash flows is subject to assumptions that affect estimated operating income at a distribution facility level. These assumptions are related to future sales, margin growth rates, economic conditions, market competition and inflation. In the event that undiscounted cash flows do not exceed the carrying value of a facility, our estimates of fair market value are generally based on market appraisals and our experience with related market transactions. We use a two year average of cash flows based on 2012 net income before interest and tax expense, depreciation and amortization expense, and other non-cash charges ("EBITDA") and 2013 projected EBITDA, which includes a growth factor assumption, to estimate undiscounted cash flows. These assumptions used to determine impairment are considered to be level 3 measurements in the fair value hierarchy as defined in Note 13 of the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 29, 2012.

No impairment indicators appear to be present that would result in material reductions to our December 29, 2012 projected undiscounted cash flows, which exceeded our carrying value in all cases during the performance of our December 29, 2012 impairment analysis.

#### Self-Insurance

It is our policy to self-insure, up to certain limits, traditional risks including workers' compensation, comprehensive general liability, and auto liability. Our self-insured deductible for each claim involving workers' compensation and

auto liability is limited to \$0.8 million and \$2.0 million, respectively. Our self-insured retention for each claim involving comprehensive general liability (including product liability claims) is limited to \$0.8 million. We are also self-insured up to certain limits for certain other insurable risks, primarily physical loss to property (\$0.1 million per occurrence) and the majority of our medical benefit plans (\$0.3 million per occurrence). Insurance coverage is maintained for catastrophic property and casualty exposures as well as those risks required to be insured by law or contract. A provision for claims under this self-insured program, based on our estimate of the aggregate liability for claims incurred, is revised annually. The estimate is derived from both internal and external sources including but not limited to actuarial estimates. The actuarial estimates are subject to uncertainty from various sources, including, among others, changes in claim reporting patterns, claim settlement patterns, judicial decisions, legislation, and economic conditions. Although we believe that the actuarial estimates are reasonable, significant differences related to the items noted above could materially affect our self-insurance obligations, future expense and cash flow. At June 29, 2013 and December 29, 2012, the self-insurance reserves totaled \$7.1 million and \$7.2 million, respectively.



## New Accounting Standards

In the first quarter of fiscal 2013, the Financial Accounting Standards Board (the “FASB”) issued an amendment to previously issued guidance which requires companies to report, in one place, information about reclassifications out of accumulated other comprehensive income (“AOCI”). The update also requires companies to present reclassifications by component when reporting changes in AOCI balances. For significant items reclassified out of AOCI to net income in their entirety in the period, companies must report the effect of the reclassifications on the respective line items in the statement where net income is presented. In certain circumstances, this can be done on the face of that statement. Otherwise, it must be presented in the notes. For items not reclassified to net income in their entirety in the period, companies must cross-reference in a note to other required disclosures. The amendments are effective for public companies in fiscal years, and interim periods within those years, beginning after December 15, 2012. We adopted this guidance during the first quarter of fiscal 2013; refer to “Note 12 – Accumulated Other Comprehensive Loss” for the required disclosures.

There were no other accounting pronouncements adopted during the first six months of fiscal 2013 that had a material impact on our financial statements.

## 3. Restructuring Charges

We account for exit and disposal costs by recognizing a liability for costs associated with an exit or disposal activity at fair value in the period in which it is incurred or when the entity ceases using the right conveyed by a contract (i.e., the right to use a leased property). We account for severance and outplacement costs by recognizing a liability for employees’ rights to post-employment benefits when management has committed to a plan, due to the existence of a post employment benefit agreement. These costs are included in “Selling, general, and administrative” expenses in the Consolidated Statements of Operations and Comprehensive Loss for the first six months of fiscal 2013 and the first six months of fiscal 2012, and in “Accrued compensation” on the Consolidated Balance Sheets at June 29, 2013 and December 29, 2012.

During the second quarter of fiscal 2013, we announced the 2013 Restructuring which included the realignment of headquarters resources and the strategic review of our distribution centers. This review resulted in the Company designating five distribution centers to be sold or closed. At this time, we expect these distribution centers to close during the third quarter of fiscal 2013. In connection with the 2013 Restructuring and the change in executive leadership, referred to in “Note 2 – Summary of Significant Accounting Policies”, the Company has recognized severance related charges of \$4.3 million in “Selling, general, and administrative” expenses in the Consolidated Statements of Operations and Comprehensive Loss during the second quarter of fiscal 2013.

During the first quarter of fiscal 2013, we completed the transition of our Fremont, California operation to our new facility in Stockton, California. We incurred approximately \$0.8 million of transition costs related to this move in “Selling, general, and administrative” expenses in the Consolidated Statements of Operations and Comprehensive Loss in the first six months of fiscal 2013.

During the third quarter of fiscal 2011, we entered into an amendment to our corporate headquarters lease in Atlanta, Georgia related to the unoccupied 4100 building, which was exited during fiscal 2007. This amendment released us from our obligations with respect to this unoccupied space as of January 31, 2012, in exchange for a \$5.0 million space remittance fee, which was paid in the first quarter of 2012. We also paid \$0.9 million in the third quarter of fiscal 2012 and are obligated to pay an additional \$0.3 million on or before December 31, 2013 related to contractually obligated tenant improvement reimbursement expense. The provisions relating to the occupied 4300

building remain unchanged. Under the existing provisions, the current term of the lease ends on January 31, 2019.

#### 4. Assets Held for Sale and Net Gain on Disposition

We have certain assets that we have designated as assets held for sale. At the time of designation, we ceased recognizing depreciation expense on these assets. As of June 29, 2013 and December 29, 2012, total assets held for sale were \$6.4 million and \$1.6 million, respectively and were included in "Other current assets" in our Consolidated Balance Sheets. During the first six months of fiscal 2013, we designated the Denver, Colorado office space and two other owned locations as held for sale. During the second quarter of fiscal 2013, we executed a lease for office space to serve as our new sales center in Denver, Colorado and began preparations for our relocation. We expect to finalize a sale of the owned Denver, Colorado office space, which has a carrying value of \$3.3 million, during the second half of fiscal 2013. We also designated two of our distribution centers as held for sale during the first six months of fiscal 2013. These two properties have a carrying value of \$2.5 million, and we plan to finalize a sale of the facilities within the next twelve months. We continue to actively market all properties that are designated as held for sale.

During the first six months of fiscal 2013 we did not sell any real properties classified as held for sale. However, we recognized an additional gain related to the sale of our Fremont, California location during the first quarter and first six months of 2013 of approximately \$0.2 million. The gain was related to seller's proceeds that were held by the title company for certain remediation activities that were settled during the quarter.

## 5. Employee Benefits

### Defined Benefit Pension Plans

Most of our hourly employees participate in noncontributory defined benefit pension plans. These include a plan that is administered solely by us (the "hourly pension plan") and union-administered multiemployer plans. Our funding policy for the hourly pension plan is based on actuarial calculations and the applicable requirements of federal law. Benefits under the majority of plans for hourly employees (including multiemployer plans) are primarily related to years of service. We believe that our portion of each multiemployer pension plan is immaterial to our financial statements and that we represent an immaterial portion of the total contributions and future obligations of these plans.

Net periodic pension cost for our pension plans included the following (in thousands):

Second Quarter		
	Period from March 31, 2013 to June 29, 2013	Period from April 1, 2012 to June 30, 2012
Service cost	\$548	\$469
Interest cost on projected benefit obligation	1,188	1,221
Expected return on plan assets	(1,306)	(1,224)
Amortization of unrecognized loss	718	519
Net periodic pension cost	\$1,148	\$985
Six Months Ended		
	Period from December 30, 2012 to June 29, 2013	Period from January 1, 2012 to June 30, 2012
Service cost	\$1,096	\$938
Interest cost on projected benefit obligation	2,375	2,442
Expected return on plan assets	(2,612)	(2,448)
Amortization of unrecognized loss	1,436	1,038

Net periodic pension cost	\$2,295	\$1,970
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The Company's minimum required contribution for plan year 2012 was \$3.2 million. In an effort to preserve additional cash for operations, we applied for a waiver from the IRS for our 2012 minimum required contribution. The waiver is still being reviewed by the IRS, and we cannot provide any assurances that the IRS will grant the waiver. We have not made \$2.1 million of the required 2012 contributions related to the 2012 minimum required contribution. If we are granted the requested waiver, our minimum required contribution for 2012 will be amortized over the following five years, increasing our future minimum required contributions. Should the waiver be denied we will be required to make our entire 2012 minimum required contribution in fiscal 2013. We currently are required to make three quarterly cash contributions during fiscal 2013 of \$0.8 million per quarter related to our 2013 minimum required contribution.

During the second quarter of fiscal 2013, we contributed certain qualifying employer real property to our hourly pension plan. The real property, including certain land and buildings, are located in Charleston, S.C. and Buffalo, N.Y., and has been valued by independent appraisals at approximately \$6.8 million. The contribution was recorded by the hourly pension plan at the fair value of \$6.8 million. We are leasing back the contributed properties for an initial term of twenty years with two five-year extension options and continue to use the properties in our distribution operations. Each lease provides us a right of first refusal on any subsequent sale by the hourly pension plan and a repurchase option. The hourly pension plan engaged an independent fiduciary who evaluated the transaction on behalf of the hourly pension plan, negotiated the terms of the property contribution and the leases, and also manages the properties on behalf of the hourly pension plan. Due to the fact that the 2012 waiver is still being reviewed, we have not designated the contribution to a plan year. However, in the event the waiver is not granted, we believe the property contribution will be sufficient to cover both the 2012 and 2013 funding requirements discussed above.

We determined that the contribution of the properties does not meet the accounting definition of a plan asset within the scope of relevant accounting guidance. Accordingly, the contributed properties are not considered a contribution for financial reporting purposes and, as a result, are not included in plan assets and have no impact on the net pension liability recorded on our Consolidated Balance Sheets. We continue to depreciate the carrying value of the properties in our financial statements, and no gain or loss was recognized at the contribution date for financial reporting purposes. Rent payments will be made on a monthly basis and will be recorded as contributions to the hourly pension plan, of which \$0.1 million has been recorded as of June 29, 2013. These rental payments will reduce our unfunded obligation to the hourly pension plan.

## 6. Revolving Credit Facilities

We have our U.S. revolving credit facility agreement (the “U.S. revolving credit facility”) with Wells Fargo Bank, National Association, successor by merger to Wachovia Bank, National Association (“Wells Fargo Bank”), dated August 4, 2006, as amended. The U.S. revolving credit facility has a final maturity of April 15, 2016 and maximum available credit of \$447.5 million. The U.S. revolving credit facility also includes an additional \$75 million uncommitted accordion credit facility, which permits us to increase the maximum available credit up to \$522.5 million.

On June 28, 2013, we entered into an amendment to our U.S. revolving credit facility, which became effective on that date pursuant to which certain components of the borrowing base calculation and excess liquidity calculation were adjusted as part of this amendment. The most significant of the changes included in the amendment is the addition of PNC Bank, National Association (“PNC”) as a lender and their additional loan commitment of \$25.0 million, which increases the maximum availability of the U.S. revolving credit facility to \$447.5 million. The new terms of this amended agreement are described in this footnote. In conjunction with this amendment, we incurred \$0.1 million of debt fees that were capitalized and are being amortized over the amended debt term.

On March 29, 2013, we entered into an amendment to our U.S. revolving credit facility, which became effective on that date pursuant to which certain components of the borrowing base calculation and excess liquidity calculation were adjusted as part of this amendment. The most significant of the changes included in the amendment are extending the final maturity of the U.S. revolving credit facility, increasing the maximum available credit under the facility and adjusting the excess availability threshold calculation. In conjunction with this amendment, we incurred \$2.8 million of debt fees that were capitalized and are being amortized over the amended debt term.

On March 27, 2013, we concluded the 2013 Rights Offering. The 2013 Rights Offering was fully subscribed and resulted in gross proceeds of approximately \$40 million which were offset by expenses paid as of June 29, 2013 of approximately \$1.3 million. The net proceeds from the transaction were approximately \$38.6 million and were net of \$1.4 million of expenses incurred, some of which have yet to be paid as of June 29, 2013. We issued 22.9 million shares of stock to our stockholders in conjunction with the 2013 Rights Offering.

As of June 29, 2013, we had outstanding borrowings of \$295.6 million and excess availability of \$90.9 million under the terms of our U.S. revolving credit facility. The interest rate on the U.S. revolving credit facility was 3.5% at June 29, 2013. As of December 29, 2012, we had outstanding borrowings of \$169.5 million and excess availability of \$86.0 million under the terms of our U.S. revolving credit facility. The interest rate on the U.S. revolving credit facility was 4.1% at December 29, 2012. As of June 29, 2013 and December 29, 2012, we had outstanding letters of credit totaling \$4.5 million for the purposes of securing collateral requirements under casualty insurance programs and for guaranteeing lease and certain other obligations. The \$4.5 million in outstanding letters of credit as of June 29, 2013 does not include an additional \$1.5 million fully collateralized letter of credit securing certain insurance

obligations that was issued outside of the U.S. revolving credit facility.

As of June 29, 2013, our U.S. revolving credit facility, as amended, contains customary negative covenants and restrictions for asset based loans, including a requirement that we maintain a fixed charge coverage ratio of 1.1 to 1.0 in the event our excess availability falls below the greater of \$31.8 million or the amount equal to 12.5% of the lesser of the borrowing base or \$447.5 million (the "Excess Availability Threshold"). The fixed charge coverage ratio is calculated as EBITDA divided by the sum of cash payments for income taxes, interest expense, cash dividends, principal payments on debt, and capital expenditures. EBITDA is defined as BlueLinx Corporation's net income before interest and tax expense, depreciation and amortization expense, and other non-cash charges. The fixed charge coverage ratio requirement only applies to us when excess availability under our amended U.S. revolving credit facility is less than the Excess Availability Threshold on any date. As of June 29, 2013 and through the time of the filing of this Form 10-Q, we were in compliance with all covenants under the U.S. revolving credit facility. We are required to maintain the Excess Availability Threshold in order to avoid being required to meet certain financial ratios and triggering additional limits on capital expenditures. Our lowest level of fiscal month-end availability in the last three years as of June 29, 2013 was \$85.9 million. We do not anticipate our excess availability in fiscal 2013 will drop below the Excess Availability Threshold. Should our excess availability fall below the Excess Availability Threshold on any date, however, we would not meet the required fixed charge coverage ratio covenant with our current operating results.

In the event that excess availability falls below \$37.1 million or the amount equal to 15% of the lesser of the borrowing base or \$447.5 million, the U.S. revolving credit facility gives the lenders the right to dominion of our bank accounts. This would not make the underlying debt callable by the lender and may not change our ability to borrow on the U.S. revolving credit facility. However, we would be required to reclassify the “Long-term debt” to “Current maturities of long-term debt” on our Consolidated Balance Sheet. In addition, we would be required to maintain a springing lock-box arrangement where customer remittances go directly to a lock-box maintained by our lenders and then are forwarded to our general bank accounts. Our U.S. revolving credit facility does not contain a subjective acceleration clause, which would allow our lenders to accelerate the scheduled maturities of our debt or to cancel our agreement.

On August 12, 2011, our subsidiary BlueLinx Building Products Canada Ltd. (“BlueLinx Canada”) entered into a revolving credit agreement (the “Canadian revolving credit facility”) with CIBC Asset-Based Lending Inc., as lender, administrative agent and collateral agent (the “Agent”). The maturity date of this agreement is August 12, 2014. As of June 29, 2013, we had outstanding borrowings of \$4.3 million and excess availability of \$2.2 million under the terms of our Canadian revolving credit facility. As of December 29, 2012, we had outstanding borrowings of \$1.9 million and excess availability of \$2.0 million under the terms of our Canadian revolving credit facility. The interest rate on the Canadian revolving credit facility was 4.0% at June 29, 2013 and December 29, 2012. The Canadian revolving credit facility contains customary covenants and events of default for asset-based credit agreements of this type, including the requirement for BlueLinx Canada to maintain a minimum adjusted tangible net worth of \$3.9 million and for that entity’s capital expenditures not to exceed 120% of the amount budgeted in a given year. As of June 29, 2013 and through the time of the filing of this Form 10-Q, we were in compliance with all covenants under this facility.

## 7. Mortgage

We have a \$295 million mortgage loan with the German American Capital Corporation. The mortgage has a term of ten years and is secured by 51 distribution facilities and 1 office building owned by the special purpose entities. The stated interest rate on the mortgage is fixed at 6.35%. German American Capital Corporation assigned half of its interest in the mortgage loan to Wells Fargo Bank and both lenders securitized their Notes in separate commercial mortgage backed securities pools in 2006. As of June 29, 2013 and December 29, 2012, the balance on our mortgage loan was \$201.8 million and \$206.0 million, respectively.

On September 19, 2012, we entered into an amendment to our mortgage agreement, which provided for the immediate prepayment of approximately \$11.8 million of the indebtedness under the mortgage agreement without incurring a prepayment premium from cash currently held as collateral under the mortgage agreement. In addition, on a quarterly basis, starting with the fourth quarter of 2012, additional funds held as collateral under the mortgage agreement will be used to prepay indebtedness under the mortgage agreement, without prepayment premium, up to an aggregate additional prepayment of \$10.0 million. Thereafter, any cash remaining in the collateral account under the mortgage agreement, up to an aggregate of \$10.0 million, will be released to the Company on the last business day of each calendar quarter through the second quarter of 2014. All funds released pursuant to these provisions may be used by the Company to pay for usual and customary operating expenses. During the periods described above in which cash in the collateral account is used to either prepay indebtedness under the mortgage agreement or released to the Company, the lenders will not release any of the cash collateral to the Company for specified capital expenditures as previously provided under the mortgage agreement.

Under the terms of our mortgage, we are required to transfer certain funds to be held as collateral. We expect to transfer approximately \$13.4 million as collateral during the next twelve month period, approximately \$0.6 million of

which will be used to reduce mortgage principal during fiscal 2013 and approximately \$10.0 million will be released from escrow to us on a quarterly basis for operational uses as indicated in the amendment. In conjunction with the modification of our mortgage agreement we incurred approximately \$0.3 million in fees that were capitalized and are being amortized over the remaining term of the mortgage.



During the first quarter of fiscal 2012, we sold certain parcels of excess land. As a result of the sale of one of these parcels, we increased the amount of restricted cash required to be held in connection with our mortgage by \$0.3 million. In addition, during the third quarter of fiscal 2012, we sold our facility in Newark, California and increased the restricted cash related to our mortgage by \$12.8 million. This restricted cash was used to pay down the mortgage in the fourth quarter of fiscal 2012.

The mortgage loan required interest-only payments through June 2011, at which time we began making payments on the outstanding principal balance. The balance of the loan outstanding at the end of the ten year term will then become due and payable. The principal will be paid in the following increments (in thousands):

2013*	\$4,771
2014	2,556
2015	2,725
2016	191,752
2017	—
Thereafter	—
Total	201,804

\* We estimate that approximately \$3.4 million of restricted cash will be paid during fiscal 2013 to reduce mortgage principal.

## 8. Fair Value Measurements

We determine a fair value measurement based on the assumptions a market participant would use in pricing an asset or liability. The fair value measurement guidance established a three level hierarchy making a distinction between market participant assumptions based on (i) unadjusted quoted prices for identical assets or liabilities in an active market (Level 1), (ii) quoted prices in markets that are not active or inputs that are observable either directly or indirectly for substantially the full term of the asset or liability (Level 2), and (iii) prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement (Level 3).

Carrying amounts for our financial instruments are not significantly different from their fair value, with the exception of our mortgage. To determine the fair value of our mortgage, we used a discounted cash flow model. We believe the mortgage fair value valuation to be Level 2 in the fair value hierarchy, as the valuation model has inputs that are observable for substantially the full term of the liability. Assumptions critical to our fair value measurements in the period are present value factors used in determining fair value and an interest rate. At June 29, 2013, the discounted carrying value and fair value of our mortgage was \$201.8 million and \$201.4 million, respectively. At December 29, 2012, the discounted carrying value and fair value of our mortgage was \$206.0 million and \$205.5 million, respectively.

## 9. Related Party Transactions

Cerberus Capital Management, L.P., our equity sponsor, retains consultants that specialize in operations management and support and who provide Cerberus with consulting advice concerning portfolio companies in which funds and accounts managed by Cerberus or its affiliates have invested. From time to time, Cerberus makes the services of these consultants available to Cerberus portfolio companies. We believe that the terms of these consulting arrangements are favorable to us, or, alternatively, are materially consistent with those terms that would have been obtained by us in an arrangement with an unaffiliated third party. We have normal service, purchase and sales arrangements with other

entities that are owned or controlled by Cerberus. We believe that these transactions are at arms' length terms and are not material to our results of operations or financial position.

#### 10. Commitments and Contingencies

##### Legal Proceedings

During the first six months of fiscal 2013, there were no material changes to our previously disclosed legal proceedings. Additionally, we are, and from time to time may be, a party to routine legal proceedings incidental to the operation of our business. The outcome of any pending or threatened proceedings is not expected to have a material adverse effect on our financial condition, operating results or cash flows, based on our current understanding of the relevant facts. Legal expenses incurred related to these contingencies are generally expensed as incurred.

## Environmental and Legal Matters

From time to time, we are involved in various proceedings incidental to our businesses and we are subject to a variety of environmental and pollution control laws and regulations in all jurisdictions in which we operate. Although the ultimate outcome of these proceedings cannot be determined with certainty, based on presently available information management believes that adequate reserves have been established for probable losses with respect thereto. Management further believes that the ultimate outcome of these matters could be material to operating results in any given quarter but will not have a materially adverse effect on our long-term financial condition, our results of operations, or our cash flows.

## Collective Bargaining Agreements

As of June 29, 2013, approximately 32% of our employees were represented by various labor unions. As of June 29, 2013, we had 41 collective bargaining agreements, of which 11 are up for renewal in fiscal 2013. As of June 29, 2013, we have renegotiated all but 4 of those up for renewal in fiscal 2013, covering approximately 55 employees. We consider our relationship with our employees generally to be good.

## 11. Subsequent Events

We are not aware of any significant events that occurred subsequent to the balance sheet date but prior to the filing of this report that would have a material impact on our Consolidated Financial Statements.

## 12. Accumulated Other Comprehensive Loss

The changes in accumulated balances for each component of other comprehensive (loss) income for the quarter ended June 29, 2013 were as follows (in thousands):

	Foreign currency, net of tax	Defined benefit pension plan, net of tax	Other, net of tax	Total
Beginning balance	\$ 1,688	\$ (31,333 )	\$ 212	\$ (29,433 )
Other comprehensive loss before reclassification	(162 )	—	—	(162 )
Amounts reclassified from accumulated other comprehensive loss, net of tax	—	158	—	158
Current-period other comprehensive (loss) income, net of tax	(162 )	158	—	(4 )
Ending balance, net of tax	\$ 1,526	\$ (31,175 )	\$ 212	\$ (29,437 )

The changes in accumulated balances for each component of other comprehensive (loss) income for the quarter ended June 30, 2012 were as follows (in thousands):

Foreign currency, net of tax	Defined benefit pension plan, net of	Other, net of tax	Total
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			tax		
Beginning balance	\$ 1,829	\$ (23,806 )	\$ 212	\$ (21,765 )	
Current-period other comprehensive (loss) income	(109 )	—	—	(109 )	
Ending balance	\$ 1,720	\$ (23,806 )	\$ 212	\$ (21,874 )	

The changes in accumulated balances for each component of other comprehensive (loss) income for the first six months of fiscal 2013 were as follows (in thousands):

	Foreign currency, net of tax	Defined benefit pension plan, net of tax	Other, net of tax	Total
Beginning balance	\$ 1,797	\$ (32,051 )	\$ 212	\$ (30,042 )
Other comprehensive loss before reclassification	(271 )	—	—	(271 )
Amounts reclassified from accumulated other comprehensive loss, net of tax	—	876	—	876
Current-period other comprehensive (loss) income, net of tax	(271 )	876	—	605
Ending balance, net of tax	\$ 1,526	\$ (31,175 )	\$ 212	\$ (29,437 )

The changes in accumulated balances for each component of other comprehensive (loss) income for the first six months of fiscal 2012 were as follows (in thousands):

	Foreign currency, net of tax	Defined benefit pension plan, net of tax	Other, net of tax	Total
Beginning balance	\$ 1,694	\$ (23,806 )	\$ 212	\$ (21,900 )
Current-period other comprehensive (loss) income	26	—	—	26
Ending balance	\$ 1,720	\$ (23,806 )	\$ 212	\$ (21,874 )

Reclassifications out of accumulated other comprehensive loss for the quarter ended June 29, 2013 were as follows (in thousands):

Details about accumulated other comprehensive loss components	Amount reclassified from accumulated other comprehensive loss	Affected line item in the statement where net income is presented
Amortization of defined benefit pension items:		
Actuarial loss	\$ 718	Total before tax
Tax impact	560	Tax impact (1)
Total, net of tax	\$ 158	Net of tax (2)

Reclassifications out of accumulated other comprehensive loss for the first six months of fiscal 2013 were as follows (in thousands):

Details about accumulated other comprehensive loss components	Amount reclassified from accumulated other comprehensive loss	Affected line item in the statement where net income is presented
Amortization of defined benefit pension items:		
Actuarial loss	\$ 1,436	Total before tax
Tax impact	560	Tax impact (1)
Total, net of tax	\$ 876	Net of tax (2)

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(1) We allocated income tax expense to accumulated other comprehensive loss to the extent income was recorded in accumulated other comprehensive loss and we have a loss from continuing operations.

(2) These accumulated other comprehensive loss components are included in the computation of net periodic pension cost.

There were no reclassifications out of accumulated other comprehensive loss for the quarter or six month period ended June 30, 2012. See Note 5 for additional details.

### 13. Unaudited Supplemental Consolidating Financial Statements

The consolidating financial information as of June 29, 2013 and December 29, 2012 and for the second quarters of fiscal 2013 and fiscal 2012 is provided due to restrictions in our revolving credit facility that limit distributions by BlueLinx Corporation, our operating company and our wholly-owned subsidiary, to us, which, in turn, may limit our ability to pay dividends to holders of our common stock (see our Annual Report on Form 10-K for the year ended December 29, 2012, for a more detailed discussion of these restrictions and the terms of the facility). Also included in the supplemental consolidated financial statements are fifty-five single member limited liability companies, which are wholly owned by us (the “LLC subsidiaries”). The LLC subsidiaries own certain warehouse properties that are occupied by BlueLinx Corporation, each under the terms of a master lease agreement. The warehouse properties collateralize a mortgage loan and are not available to satisfy the debts and other obligations of either us or BlueLinx Corporation.

The consolidating statement of operations for BlueLinx Holdings Inc. for the period from March 31, 2013 to June 29, 2013 follows (in thousands):

	BlueLinx Holdings Inc.	BlueLinx Corporation and Subsidiaries	LLC Subsidiaries	Eliminations	Consolidated
Net sales	\$—	\$ 604,592	\$ 6,888	\$ (6,888 )	\$ 604,592
Cost of sales	—	549,407	—	—	549,407
Gross profit	—	55,185	6,888	(6,888 )	55,185
Operating expenses:					
Selling, general, and administrative	1,901	73,339	158	(6,888 )	68,510
Depreciation and amortization	—	1,353	876	—	2,229
Total operating expenses	1,901	74,692	1,034	(6,888 )	70,739
Operating (loss) income	(1,901 )	(19,507 )	5,854	—	(15,554 )
Non-operating expenses (income):					
Interest expense	—	3,343	3,573	—	6,916
Other loss (income), net	—	131	(3 )	—	128
(Loss) income before provision for (benefit from) income taxes	(1,901 )	(22,981 )	2,284	—	(22,598 )
Provision for (benefit from) income taxes	(70 )	(293 )	71	—	(292 )
Equity in loss of subsidiaries	(20,475 )	—	—	20,475	—
Net (loss) income	\$(22,306 )	\$ (22,688 )	\$ 2,213	\$ 20,475	\$ (22,306 )

The consolidating statement of operations for BlueLinx Holdings Inc. for the period from April 1, 2012 to June 30, 2012 follows (in thousands):

	BlueLinx Holdings Inc.	BlueLinx Corporation and Subsidiaries	LLC Subsidiaries	Eliminations	Consolidated
Net sales	\$—	\$ 517,026	\$ 7,148	\$ (7,148 )	\$ 517,026
Cost of sales	—	453,838	—	—	453,838
Gross profit	—	63,188	7,148	(7,148 )	63,188
Operating expenses:					
Selling, general, and administrative	696	63,588	—	(7,148 )	57,136
Depreciation and amortization	—	1,304	883	—	2,187
Total operating expenses	696	64,892	883	(7,148 )	59,323
Operating (loss) income	(696 )	(1,704 )	6,265	—	3,865
Non-operating expenses (income):					
Interest expense	—	3,227	4,098	—	7,325
Other expense (income), net	—	50	(1 )	—	49
(Loss) income before provision for income taxes	(696 )	(4,981 )	2,168	—	(3,509 )
(Benefit from) provision for	(31 )	155	73	—	197
Equity in loss of subsidiaries	(3,041 )	—	—	3,041	—
Net (loss) income	\$(3,706 )	\$ (5,136 )	\$ 2,095	\$ 3,041	\$ (3,706 )





The consolidating statement of operations for BlueLinx Holdings Inc. for the period from December 30, 2012 to June 29, 2013 follows (in thousands):

	BlueLinx Holdings Inc.	BlueLinx Corporation and Subsidiaries	LLC Subsidiaries	Eliminations	Consolidated
Net sales	\$—	\$ 1,107,745	\$ 13,775	\$ (13,775 )	\$ 1,107,745
Cost of sales	—	996,102	—	—	996,102
Gross profit	—	111,643	13,775	(13,775 )	111,643
Operating expenses:					
Selling, general, and administrative	3,174	138,447	83	(13,775 )	127,929
Depreciation and amortization	—	2,650	1,752	—	4,402
Total operating expenses	3,174	141,097	1,835	(13,775 )	132,331
Operating (loss) income	(3,174 )	(29,454 )	11,940	—	(20,688 )
Non-operating expenses (income):					
Interest expense	—	6,903	7,205	—	14,108
Other expense (income), net	—	244	(6 )	—	238
(Loss) income before provision for (benefit from) income taxes	(3,174 )	(36,601 )	4,741	—	(35,034 )
Provision for (benefit from) income taxes	(97 )	(128 )	146	—	(79 )
Equity in loss of subsidiaries	(31,878 )	—	—	31,878	—
Net (loss) income	\$(34,955 )	\$( 36,473 )	\$ 4,595	\$ 31,878	\$ (34,955 )

The consolidating statement of operations for BlueLinx Holdings Inc. for the period from January 1, 2012 to June 30, 2012 follows (in thousands):

	BlueLinx Holdings Inc.	BlueLinx Corporation and Subsidiaries	LLC Subsidiaries	Eliminations	Consolidated
Net sales	\$—	\$ 970,734	\$ 14,295	\$ (14,295 )	\$ 970,734
Cost of sales	—	853,314	—	—	853,314
Gross profit	—	117,420	14,295	(14,295 )	117,420
Operating expenses (income):					
Selling, general, and administrative	1,709	126,198	(410 )	(14,295 )	113,202
Depreciation and amortization	—	2,679	1,768	—	4,447
Total operating expenses	1,709	128,877	1,358	(14,295 )	117,649
Operating (loss) income	(1,709 )	(11,457 )	12,937	—	(229 )
Non-operating expenses (income):					
Interest expense	—	5,901	8,206	—	14,107
Other income, net	—	(7 )	(6 )	—	(13 )
(Loss) income before provision for income taxes	(1,709 )	(17,351 )	4,737	—	(14,323 )
Provision for income taxes	(58 )	300	160	—	402
Equity in loss of subsidiaries	(13,074 )	—	—	13,074	—
Net (loss) income	\$(14,725 )	\$( 17,651 )	\$ 4,577	\$ 13,074	\$ (14,725 )



The consolidating balance sheet for BlueLinx Holdings Inc. as of June 29, 2013 follows (in thousands):

	BlueLinx Holdings Inc.	BlueLinx Corporation and Subsidiaries	LLC Subsidiaries	Eliminations	Consolidated
<b>Assets:</b>					
<b>Current assets:</b>					
Cash	\$32	\$ 8,354	\$ —	\$ —	8,386
Receivables	—	232,994	—	—	232,994
Inventories	—	318,437	—	—	318,437
Other current assets	641	18,329	8,373	—	27,343
Intercompany receivable	74,894	32,996	—	(107,890 )	—
Total current assets	75,567	611,110	8,373	(107,890 )	587,160
<b>Property and equipment:</b>					
Land and land improvements	—	3,206	37,842	—	41,048
Buildings	—	10,630	79,657	—	90,287
Machinery and equipment	—	78,660	—	—	78,660
Construction in progress	—	1,834	—	—	1,834
Property and equipment, at cost	—	94,330	117,499	—	211,829
Accumulated depreciation	—	(72,974 )	(30,012 )	—	(102,986 )
Property and equipment, net	—	21,356	87,487	—	108,843
Investment in subsidiaries	(56,832 )	—	—	56,832	—
Non-current deferred income tax assets	—	445	—	—	445
Other non-current assets	—	12,358	5,494	—	17,852
Total assets	\$18,735	\$ 645,269	\$ 101,354	\$ (51,058 )	\$ 714,300
<b>Liabilities:</b>					
<b>Current liabilities:</b>					
Accounts payable	\$584	\$ 127,183	\$ —	\$ —	\$ 127,767
Bank overdrafts	—	20,933	—	—	20,933
Accrued compensation	—	5,241	—	—	5,241
Current maturities of long-term debt	—	114,095	6,080	—	120,175
Deferred income taxes, net	—	449	—	—	449
Other current liabilities	—	14,793	1,074	—	15,867
Intercompany payable	32,996	74,894	—	(107,890 )	—
Total current liabilities	33,580	357,588	7,154	(107,890 )	290,432
<b>Non-current liabilities:</b>					
Long-term debt	—	185,855	195,724	—	381,579
Other non-current liabilities	—	57,134	—	—	57,134
Total liabilities	33,580	600,577	202,878	(107,890 )	729,145
Stockholders' (deficit) equity/parent's investment	(14,845 )	44,692	(101,524 )	56,832	(14,845 )
Total liabilities and stockholders' (deficit) equity/parent's investment	\$18,735	\$ 645,269	\$ 101,354	\$ (51,058 )	\$ 714,300

The consolidating balance sheet for BlueLinx Holdings Inc. as of December 29, 2012 follows (in thousands):

	BlueLinx Holdings Inc.	BlueLinx Corporation and Subsidiaries	LLC Subsidiaries	Eliminations	Consolidated
Assets:					
Current assets:					
Cash	\$ 28	\$ 5,160	\$ —	\$ —	\$ 5,188
Receivables	—	157,465	—	—	157,465
Inventories	—	230,059	—	—	230,059
Other current assets	1,596	17,790	41	—	19,427
Intercompany receivable	73,981	28,814	—	(102,795 )	—
Total current assets	75,605	439,288	41	(102,795 )	412,139
Property and equipment:					
Land and land improvements	—	3,250	39,870	—	43,120
Buildings	—	10,213	83,857	—	94,070
Machinery and equipment	—	78,674	—	—	78,674
Construction in progress	—	1,173	—	—	1,173
Property and equipment, at cost	—	93,310	123,727	—	217,037
Accumulated depreciation	—	(71,583 )	(30,101 )	—	(101,684 )
Property and equipment, net	—	21,727	93,626	—	115,353
Investment in subsidiaries	(67,053 )	—	—	67,053	—
Non-current deferred income tax assets, net	—	445	—	—	445
Other non-current assets	—	10,646	6,153	—	16,799
Total assets	\$ 8,552	\$ 472,106	\$ 99,820	\$ (35,742 )	\$ 544,736
Liabilities:					
Current liabilities:					
Accounts payable	\$ 203	\$ 77,257	\$ 390	\$ —	77,850
Bank overdrafts	—	35,384	—	—	35,384
Accrued compensation	127	6,043	—	—	6,170
Current maturities of long-term debt	—	—	8,946	—	8,946
Deferred income tax liabilities, net	—	449	—	—	449
Other current liabilities	—	9,831	1,106	—	10,937
Intercompany payable	28,814	73,981	—	(102,795 )	—
Total current liabilities	29,144	202,945	10,442	(102,795 )	139,736
Non-current liabilities:					
Long-term debt	—	171,412	197,034	—	368,446
Other non-current liabilities	—	57,146	—	—	57,146
Total liabilities	29,144	431,503	207,476	(102,795 )	565,328
Stockholders' (deficit) equity/parent's investment	(20,592 )	40,603	(107,656 )	67,053	(20,592 )
Total liabilities and stockholders' (deficit) equity/parent's investment	\$ 8,552	\$ 472,106	\$ 99,820	\$ (35,742 )	\$ 544,736



The consolidating statement of cash flows for BlueLinx Holdings Inc. for the period from December 30, 2012 to June 29, 2013 follows (in thousands):

	BlueLinx Holdings Inc.	BlueLinx Corporation and Subsidiaries	LLC Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net (loss) income	\$(34,955 )	\$ (36,473 )	\$ 4,595	\$ 31,878	\$ (34,955 )
Adjustments to reconcile net (loss) income to cash provided by (used in) operating activities:					
Depreciation and amortization	—	2,650	1,752	—	4,402
Amortization of debt issuance costs	—	1,010	661	—	1,671
Write off of debt issuance costs	—	119	—	—	119
Gain from the sale of properties	—	—	(230 )	—	(230 )
Gain from property insurance settlement	—	—	—	—	—
Vacant property charges, net	—	—	—	—	—
Severance charges	—	4,331	—	—	4,331
Payments on modification of lease agreement	—	—	—	—	—
Deferred income tax benefit	—	—	—	—	—
Share-based compensation expense	519	3,808	—	—	4,327
Increase in restricted cash related to insurance and other	—	(85 )	—	—	(85 )
Other	828	1,093	(1,066 )	—	855
Equity in earnings of subsidiaries	31,878	—	—	(31,878 )	—
Intercompany receivable	(913 )	(4,182 )	—	5,095	—
Intercompany payable	4,182	913	—	(5,095 )	—
	1,539	(26,816 )	5,712	—	(19,565 )
Changes in primary working capital components:					
Receivables	—	(75,529 )	—	—	(75,529 )
Inventories	—	(88,378 )	—	—	(88,378 )
Accounts payable	279	49,927	(391 )	—	49,815
Net cash provided by (used in) operating activities	1,818	(140,796 )	5,321	—	(133,657 )
Cash flows from investing activities:					
Investment in subsidiaries	(37,662 )	36,122	1,540	—	—
Property, plant and equipment investments	—	(2,965 )	—	—	(2,965 )
Proceeds from disposition of assets	—	328	115	—	443
Net cash (used in) provided by investing activities	(37,662 )	33,485	1,655	—	(2,522 )
Cash flows from financing activities:					
Excess tax benefits from share-based compensation arrangements	—	16	—	—	16

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Repurchase of shares to satisfy employee tax withholdings	(2,867 )	—	—	—	(2,867 )
Repayments on the revolving credit facilities	—	(266,845 )	—	—	(266,845 )
Borrowings from the revolving credit facilities	—	395,383	—	—	395,383
Payments of principal on mortgage	—	—	(4,176 )	—	(4,176 )
Payments on capital lease obligations	—	(768 )	—	—	(768 )
Decrease in bank overdrafts	—	(14,451 )	—	—	(14,451 )
Increase in restricted cash related to the mortgage	—	—	(2,800 )	—	(2,800 )
Debt issuance costs	—	(2,830 )	—	—	(2,830 )
Proceeds from rights offering less expenses paid	38,715	—	—	—	38,715
Net cash provided by (used in) financing activities	35,848	110,505	(6,976 )	—	139,377
Increase in cash	4	3,194	—	—	3,198
Balance, beginning of period	28	5,160	—	—	5,188
Balance, end of period	\$32	\$ 8,354	\$—	\$—	\$ 8,386
Noncash transactions:					
Capital leases	\$—	\$ —	\$—	\$—	\$ —

The consolidating statement of cash flows for BlueLinx Holdings Inc. for the period from January 1, 2012 to June 30, 2012 follows (in thousands):

	BlueLinx Holdings Inc.	BlueLinx Corporation and Subsidiaries	LLC Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net (loss) income	\$(14,725 )	\$ (17,651 )	\$ 4,577	\$ 13,074	\$ (14,725 )
Adjustments to reconcile net (loss) income to cash provided by (used in) operating activities:					
Depreciation and amortization	—	2,679	1,768	—	4,447
Amortization of debt issuance costs	—	1,863	—	—	1,863
Gain from the sale of properties	—	—	(530 )	—	(530 )
Gain from property insurance settlement	—	—	(476 )	—	(476 )
Vacant property charges, net	—	(78 )	—	—	(78 )
Payments on modification of lease agreement	—	(5,000 )	—	—	(5,000 )
Deferred income tax benefit	—	(24 )	—	—	(24 )
Share-based compensation expense	287	1,133	—	—	1,420
Decrease in restricted cash related to insurance and other	—	657	—	—	657
Other	(23 )	5,462	146	—	5,585
Equity in earnings of subsidiaries	13,074	—	—	(13,074 )	—
Intercompany receivable	2,246	(1,594 )	—	(652 )	—
Intercompany payable	1,594	(2,246 )	—	652	—
	2,453	(14,799 )	5,485	—	(6,861 )
Changes in primary working capital components:					
Receivables	—	(63,242 )	—	—	(63,242 )
Inventories	—	(50,053 )	—	—	(50,053 )
Accounts payable	3	10,047	—	—	10,050
Net cash provided by (used in) operating activities	2,456	(118,047 )	5,485	—	(110,106 )
Cash flows from investing activities:					
Investment in subsidiaries	(2,456 )	680	1,776	—	—
Property, plant and equipment investments	—	(2,140 )	—	—	(2,140 )
Proceeds from disposition of assets	—	—	1,915	—	1,915
Net cash (used in) provided by investing activities	(2,456 )	(1,460 )	3,691	—	(225 )
Cash flows from financing activities:					
Repurchase of shares to satisfy employee tax withholdings	—	(424 )	—	—	(424 )
Repayments on the revolving credit facilities	—	(201,403 )	—	—	(201,403 )
	—	313,666	—	—	313,666



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Borrowings from the revolving credit facilities

Payments of principal on mortgage	—	—	(7,747	)	—	(7,747	)	
Payments on capital lease obligations	—	(414	)	—	—	(414	)	
Increase in bank overdrafts	—	8,339	—	—	—	8,339		
Debt financing costs	—	(4	)	(1,429	)	—	(1,433	)
Other	—	—	—	—	—	—		
Net cash provided (used in) by financing activities	—	119,760	(9,176	)	—	110,584		
Increase in cash	—	253	—	—	—	253		
Balance, beginning of period	27	4,871	—	—	—	4,898		
Balance, end of period	\$27	\$ 5,124	\$—		\$—	\$ 5,151		

Noncash transactions:

Capital leases	\$—	\$ 32	\$—		\$—	\$ 32	
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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") has been derived from our historical financial statements and is intended to provide information to assist you in better understanding and evaluating our financial condition and results of operations. This MD&A section should be read in conjunction with our consolidated financial statements and notes to those statements included in Item 1 of this Quarterly Report on Form 10-Q, as well as our Annual Report on Form 10-K for the year ended December 29, 2012 as filed with the U.S. Securities and Exchange Commission (the "SEC"). This MD&A section is not a comprehensive discussion and analysis of our financial condition and results of operations, but rather updates disclosures made in the aforementioned filing.

The discussion below contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance, liquidity levels or achievements, and may contain the words "believe," "anticipate," "expect," "estimate," "intend," "project," "plan," "will be," "will likely continue," "will likely result" or words or phrases of similar meaning. All of these forward-looking statements are based on estimates and assumptions made by our management that, although believed by us to be reasonable, are inherently uncertain. Forward-looking statements involve risks and uncertainties, including, but not limited to, economic, competitive, governmental and technological factors outside of our control, that may cause our business, strategy or actual results to differ materially from the forward-looking statements. These risks and uncertainties may include those discussed under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 29, 2012 as filed with the SEC and other factors, some of which may not be known to us. We operate in a changing environment in which new risks can emerge from time to time. It is not possible for management to predict all of these risks, nor can it assess the extent to which any factor, or a combination of factors, may cause our business, strategy or actual results to differ materially from those contained in forward-looking statements. Factors you should consider that could cause these differences include, among other things:

changes in the prices, supply and/or demand for products which we distribute, especially as a result of conditions in the residential housing market;

the acceptance by our customers of our privately branded products;

inventory levels of new and existing homes for sale;

general economic and business conditions in the United States;

risks associated with doing business globally;

the financial condition and credit worthiness of our customers;

the activities of competitors;

changes in significant operating expenses;

fuel costs;

risk of losses associated with accidents;

limitations on our transportation operations, which are subject to governmental regulation;

exposure to product liability claims;

changes in the availability of capital and interest rates;

our ability to achieve expected operational efficiencies and cost savings as a result of our restructuring initiatives;

immigration patterns and job and household formation;

our ability to identify acquisition opportunities and effectively and cost-efficiently integrate acquisitions;

adverse weather patterns or conditions;

acts of war or terrorist activities, including acts of cyber intrusion;

variations in the performance of the financial markets, including the credit markets; and

the other factors described herein and in our Annual Report on Form 10-K for the year ended December 29, 2012 as filed with the SEC.

Given these risks and uncertainties, we caution you not to place undue reliance on forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as required by law.

## Overview

### Background

We are a leading distributor of building products in the United States. We distribute approximately 10,000 products to more than 11,500 customers through our current network of approximately 55 distribution centers which serve all major metropolitan markets in the United States. We distribute products in two principal categories: structural products and specialty products. Structural products include plywood, oriented strand board (“OSB”), rebar and remesh, lumber and other wood products primarily used for structural support, walls and flooring in construction projects. Structural products represented approximately 45% of our second quarter of fiscal 2013 gross sales. Specialty products include roofing, insulation, moulding, engineered wood, vinyl products (used primarily in siding), outdoor living, and metal products (excluding rebar and remesh). Specialty products accounted for approximately 55% of our second quarter of fiscal 2013 gross sales.

### Industry Conditions

We operate in a changing environment in which new risks can emerge from time to time. A number of factors cause our results of operations to fluctuate from period to period. Many of these factors are seasonal or cyclical in nature. Conditions in the United States (“U.S.”) housing market, while improving, continue to be at historically low levels. Our operating results have declined during the past several years as they are closely tied to U.S. housing starts. Additionally, over the past several years, the mortgage markets have experienced substantial disruption due to an unprecedented number of defaults. This disruption and the related defaults have increased the inventory of homes for sale in some markets (some markets have sold through excess inventory now) and also have caused lenders to tighten mortgage qualification criteria, which further reduces demand for new homes. While there has been some recent improvement, we expect the lower than historical average level of new housing activity will continue to negatively impact our operating results. We continue to prudently manage our inventories, receivables and spending in this environment. However, along with many forecasters, we believe that we are in the beginning of a housing recovery and that U.S. housing demand will continue to improve in the long term based on population demographics and a variety of other factors.

Facility Consolidation and Related Restructuring

During the second quarter of fiscal 2013, we announced the 2013 Restructuring (the “2013 Restructuring”) which included the realignment of headquarters resources and the strategic review of our distribution centers. This review resulted in the Company designating five distribution centers to be sold or closed. At this time, we expect these distribution centers to close during the third quarter of fiscal 2013. In addition to the 2013 Restructuring, we announced during the second quarter of fiscal 2013 that George R. Judd would no longer serve as President and Chief Executive Officer of the Company (the “change in executive leadership”). In connection with the 2013 Restructuring and the change in executive leadership, the Company has recognized severance related charges of \$4.3 million in “Selling, general, and administrative” expenses in the Consolidated Statements of Operations and Comprehensive Loss, a \$1.0 million inventory reserve charge recorded in “Cost of sales” in the Consolidated Statements of Operations and Comprehensive Loss and \$0.5 million in other related charges in “Selling, general, and administrative” expenses in the Consolidated Statements of Operations and Comprehensive Loss during the second quarter of fiscal 2013.

In addition, we recognized additional stock compensation related expense of \$2.5 million in “Selling, general, and administrative” expenses in the Consolidated Statements of Operations and Comprehensive Loss during the second quarter and first six months of fiscal 2013 related to the change in executive leadership.

During the first quarter of fiscal 2013, we completed the transition of our Fremont, California operation to our new facility in Stockton, California. We incurred approximately \$0.8 million of transition costs related to this move recorded in “Selling, general, and administrative” expenses in the Consolidated Statements of Operations in the first six months of fiscal 2013.

#### Selected Factors Affecting Our Operating Results

Our operating results are affected by housing starts, mobile home production, industrial production, repair and remodeling spending and non-residential construction. Our operating results are also impacted by changes in product prices. Structural product prices can vary significantly based on short-term and long-term changes in supply and demand. The prices of specialty products can also vary from time to time, although they are generally significantly less variable than structural products.

The following table sets forth changes in net sales by product category, sales variances due to changes in unit volume and dollar and percentage changes in unit volume and price versus comparable prior periods, in each case for the second quarter of fiscal 2013, the second quarter of fiscal 2012, the first six months of fiscal 2013, the first six months of fiscal 2012, fiscal 2012 and fiscal 2011.

	Fiscal Q2 2013	Fiscal Q2 2012	Fiscal 2013 YTD	Fiscal 2012 YTD	Fiscal 2012	Fiscal 2011
	(Dollars in millions) (Unaudited)					
Sales by Category						
Structural Products	\$ 277	\$ 216	\$ 510	\$ 399	\$ 806	\$ 705
Specialty Products	334	308	604	576	1,114	1,068
Other(1)	(6 )	(7 )	(6 )	(4 )	(12 )	(18 )
Total Sales	\$ 605	\$ 517	\$ 1,108	\$ 971	\$ 1,908	\$ 1,755
Sales Variances						
Unit Volume \$						
Change	\$ 50	\$ (7 )	\$ 63	\$ 38	\$ 42	\$ (52 )
Price/Other(1)	38	23	74	42	111	3
Total \$ Change	\$ 88	\$ 16	\$ 137	\$ 80	\$ 153	\$ (49 )
Unit Volume %						
Change	9.5 %	(1.3 )%	6.4 %	4.2 %	2.3 %	(2.8 )%
Price/Other(1)	7.4 %	4.5 %	7.7 %	4.7 %	6.4 %	0.1 %
Total % Change	16.9 %	3.2 %	14.1 %	8.9 %	8.7 %	(2.7 )%

(1) “Other” includes unallocated allowances and discounts.

The following table sets forth changes in gross margin dollars and percentage changes by product category, and percentage changes in unit volume growth by product, in each case for the second quarter of fiscal 2013, the second quarter of fiscal 2012, the first six months of fiscal 2013, the first six months of fiscal 2012, fiscal 2012 and fiscal 2011.

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	Fiscal		Fiscal		Fiscal		Fiscal		Fiscal	
	Q2 2013		Q2 2012		2013		2012		2012	
					YTD		YTD			
Gross Margin \$'s by Category	(Dollars in millions)		(Unaudited)							
Structural										
Products	\$ 11		\$ 20		\$ 31		\$ 38		\$ 77	\$ 65
Specialty										
Products	45		41		80		75		146	137
Other (1)	(1 )		2		1		4		7	8
Total Gross Margin \$'s	\$ 55		\$ 63		\$ 112		\$ 117		\$ 230	\$ 210
Gross Margin %'s by Category										
Structural										
Products	4.0	%	9.3	%	6.1	%	9.5	%	9.6	9.2 %
Specialty										
Products	13.5	%	13.3	%	13.2	%	13.0	%	13.1	12.8 %
Total Gross Margin %'s	9.1	%	12.2	%	10.1	%	12.1	%	12.1	12.0 %
Unit Volume Change by Product										
Structural										
Products	12.6	%	0.4	%	8.9	%	4.5	%	1.4	(15.1 )%
Specialty										
Products	7.4	%	(2.3 )	%	4.7	%	3.9	%	2.9	7.4 %
Total Change in Unit Volume %'s	9.5	%	(1.3 )	%	6.4	%	4.2	%	2.3	(2.8 )%

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(1) “Other” includes unallocated allowances and discounts.

The following table sets forth changes in net sales and gross margin by channel and percentage changes in gross margin by channel, in each case for the second quarter of fiscal 2013, the second quarter of fiscal 2012, the first six months of fiscal 2013, the first six months of fiscal 2012, fiscal 2012 and fiscal 2011.

	Fiscal Q2 2013	Fiscal Q2 2012	Fiscal 2013 YTD	Fiscal 2012 YTD	Fiscal 2012	Fiscal 2011
(Dollars in millions) (Unaudited)						
<b>Sales by Channel</b>						
Warehouse/Reload	\$ 500	\$ 420	\$ 898	\$ 774	\$ 1,534	\$ 1,397
Direct	111	104	216	201	386	376
Other(1)	(6 )	(7 )	(6 )	(4 )	(12 )	(18 )
Total	\$ 605	\$ 517	\$ 1,108	\$ 971	\$ 1,908	\$ 1,755
<b>Gross Margin by Channel</b>						
Warehouse/Reload	\$ 49	\$ 54	\$ 98	\$ 100	\$ 199	\$ 179
Direct	7	7	13	13	24	23
Other(1)	(1 )	2	1	4	7	8
Total	\$ 55	\$ 63	\$ 112	\$ 117	\$ 230	\$ 210
<b>Gross Margin % by Channel</b>						
Warehouse/Reload	9.8 %	12.8 %	10.9 %	12.9 %	13.0 %	12.8 %
Direct	6.3 %	6.7 %	6.0 %	6.5 %	6.2 %	6.1 %
Total	9.1 %	12.2 %	10.1 %	12.1 %	12.1 %	12.0 %

(1) "Other" includes unallocated allowances and adjustments.

#### Fiscal Year

Our fiscal year is a 52- or 53-week period ending on the Saturday closest to the end of the calendar year. Fiscal year 2013 contains 53 weeks and fiscal year 2012 contains 52 weeks.

#### Results of Operations

##### Second Quarter of Fiscal 2013 Compared to Second Quarter of Fiscal 2012

The following table sets forth our results of operations for the second quarter of fiscal 2013 and second quarter of fiscal 2012.

Second Quarter of Fiscal 2013 (Unaudited) (Dollars in thousands)	% of Net Sales	Second Quarter of Fiscal 2012 (Unaudited)	% of Net Sales
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Net sales	\$	604,592	100.0	%	\$	517,026	100.0	%
Gross profit		55,185	9.1	%		63,188	12.2	%
Selling, general, and administrative		68,510	11.3	%		57,136	11.1	%
Depreciation and amortization		2,229	0.4	%		2,187	0.4	%
Operating (loss) income		(15,554 )	(2.6	)%		3,865	0.7	%
Interest expense		6,916	1.1	%		7,325	1.4	%
Other expense, net		128	0.0	%		49	0.0	%
Loss before (benefit from) provision for income taxes		(22,598 )	(3.7	)%		(3,509 )	(0.7	)%
(Benefit from) provision for income taxes		(292 )	0.0	%		197	0.0	%
Net loss	\$	(22,306 )	(3.7	)%	\$	(3,706 )	(0.7	)%

**Net sales.** For the second quarter of fiscal 2013, net sales increased by 16.9%, or \$87.6 million, to \$604.6 million. Sales during the quarter were positively impacted by an increase in demand. Structural sales increased by \$60.8 million, or 28.2%, compared to the second quarter of fiscal 2012, primarily due to an increase in structural product prices of 15.6% and an increase in unit volumes of 12.6%. Specialty sales increased by \$25.6 million, or 8.3% from a year ago, primarily as a result of an increase in specialty unit volumes of 7.4% and an increase in specialty product prices of 0.9%.

**Gross profit.** Gross profit for the second quarter of fiscal 2013 was \$55.2 million, or 9.1% of sales, compared to \$63.2 million, or 12.2% of sales, in the prior year period. The decrease in gross profit dollars compared to the second quarter of fiscal 2012 was driven by an unfavorable variance in our gross margin percentage. Structural product prices have increased, when compared to the prior period, which resulted in an increase in revenue. However, we experienced a decline during the second quarter of fiscal 2013 in the market prices of lumber, OSB and plywood. The decline in market prices negatively impacted our gross margin percentage as we sold through the effected inventory and also resulted in the recording of a lower of cost or market reserve of \$3.8 million in “Cost of sales” in the Consolidated Statements of Operations and Comprehensive Loss during the second quarter of fiscal 2013. In addition to the lower of cost or market inventory reserve we recorded an inventory reserve of \$1.0 million in “Cost of sales” in the Consolidated Statements of Operations and Comprehensive Loss related to the 2013 Restructuring. The gross margin percentage was also lower due to a greater percentage of our sales being comprised of lower gross margin structural product.

**Selling, general, and administrative expenses.** Selling, general and administrative expenses were \$68.5 million, or 11.4% of net sales, for the second quarter of fiscal 2013, compared to \$57.1 million, or 11.1% of net sales, an \$11.4 million increase compared to the second quarter of fiscal 2012. This increase in selling, general, and administrative expenses was primarily due to \$7.3 million of severance related and other charges associated with the 2013 Restructuring and the change in executive leadership. Variable costs such as payroll, third party freight and operating supplies also increased due to an increase in unit volume of 9.5%. In addition, during the second quarter of fiscal 2012 there was a \$0.5 million gain related to the insurance settlement for our Newtown, Connecticut facility.

**Depreciation and amortization.** Depreciation and amortization expense totaled \$2.2 million for the second quarter of fiscal 2013 and the second quarter of fiscal 2012.

**Operating (loss) income.** Operating loss for the second quarter of fiscal 2013 was \$15.6 million, or 2.6% of sales, compared to operating income of \$3.9 million, or 0.7% of sales, in the second quarter of fiscal 2012, reflecting an increase in selling, general and administrative expense of \$11.4 and a decrease in gross profit dollars of \$8.0 million.

**Interest expense.** Interest expense totaled \$6.9 million for the second quarter of fiscal 2013 compared to \$7.3 million for the second quarter of fiscal 2012. The \$0.4 million decrease is largely due to a \$0.6 million decrease in interest expense incurred on our mortgage and a \$0.2 million decrease in amortization of debt fees partially offset by a \$0.3 million increase in interest expense incurred on our revolving credit facilities. Interest expense included \$0.7 million of debt issue cost amortization for the second quarter of fiscal 2013 and \$0.9 million for the second quarter of fiscal 2012. During the second quarter of fiscal 2013, interest expense related to our revolving credit facilities and mortgage was \$2.9 million and \$3.2 million, respectively. During the second quarter of fiscal 2012, interest expense related to our revolving credit facilities and mortgage was \$2.6 million and \$3.8 million, respectively. See “Liquidity and Capital Resources” below for a description of agreements for the revolving credit facilities and the mortgage.

**Benefit from (provision for) income taxes.** The effective tax rate was 1.3% and (5.6)% for the second quarter of fiscal 2013 and the second quarter of fiscal 2012, respectively. The unusual effective tax rate in both periods is primarily

driven by a full valuation allowance recorded against our year to date federal and state tax benefit. In addition, we recorded tax expense related to gross receipts, Canadian and certain state taxes. Also, during the second quarter of fiscal 2013, we allocated income tax expense to accumulated other comprehensive loss to the extent income was recorded related to the pension plan, which resulted in a tax benefit to continuing operations.

Net loss. Net loss for the second quarter of fiscal 2013 was \$22.3 million compared to a net loss of \$3.7 million for the second quarter of fiscal 2012 as a result of the above factors.

On a per-share basis, basic and diluted loss applicable to common stockholders for the second quarter of fiscal 2013 and for the second quarter of fiscal 2012 were \$0.27 and \$0.06, respectively. On March 27, 2013, we completed a rights offering (the “2013 Rights Offering”) of common stock to our stockholders at a subscription price that was lower than the market price of our common stock. The 2013 Rights Offering was deemed to contain a bonus element that is similar to a stock dividend requiring us to adjust the weighted average number of common shares used to calculate basic and diluted earnings per share in prior periods retrospectively by a factor of 1.0894. Weighted average shares for the quarter ended June 30, 2012 prior to giving effect to the 2013 Rights Offering were 60,097,558 and were 65,471,450 after application of the adjustment factor of 1.0894.

## First Six Months of Fiscal 2013 Compared to First Six Months of Fiscal 2012

The following table sets forth our results of operations for the first six months of fiscal 2013 and the first six months of fiscal 2012.

	First Six Months of Fiscal 2013 (Unaudited)	% of Net Sales		First Six Months of Fiscal 2012 (Unaudited)	% of Net Sales	
	(Dollars in thousands)					
Net sales	\$1,107,745	100.0	%	\$ 970,734	100.0	%
Gross profit	111,643	10.1	%	117,420	12.1	%
Selling, general, and administrative	127,929	11.5	%	113,202	11.7	%
Depreciation and amortization	4,402	0.4	%	4,447	0.5	%
Operating loss	(20,688 )	(1.9	)%	(229 )	(0.0	)%
Interest expense	14,108	1.3	%	14,107	1.5	%
Other (income) expense, net	238	0.0	%	(13 )	(0.0	)%
Loss before (benefit from) provision for income taxes	(35,034 )	(3.2	)%	(14,323 )	(1.5	)%
(Benefit from) provision for income taxes	(79 )	0.0	%	402	0.0	%
Net loss	\$(34,955 )	(3.2	)%	\$ (14,725 )	(1.5	)%

**Net sales.** For the first six months of fiscal 2013, net sales increased by 14.1%, or \$137.0 million, to \$1,107.7 million. Sales during the quarter were positively impacted by an increase in demand. Specialty sales increased by \$28.5 million, or 4.9% compared to the first six months of fiscal 2012, reflecting a 4.7% increase in unit volume and a 0.2% increase in prices. Structural sales increased by \$111.3 million, or 27.9%, from a year ago, primarily due to a 8.9% increase in unit volume and a 19.1% increase in product prices.

**Gross profit.** Gross profit for the first six months of fiscal 2013 was \$111.6 million, or 10.1% of sales, compared to \$117.4 million, or 12.1% of sales, in the prior year period. The decrease in gross profit dollars compared to the first six months of fiscal 2012 was driven by an unfavorable variance in our gross margin percentage. Structural product prices have increased, when compared to the prior period, which resulted in an increase in revenue. However, we experienced a decline during the second quarter of fiscal 2013 in the market prices of lumber, OSB and plywood. The decline in market prices negatively impacted our gross margin percentage as we sold through the effected inventory and also resulted in the recording of a lower of cost or market reserve of \$3.8 million in "Cost of sales" in the Consolidated Statements of Operations and Comprehensive Loss during the second quarter of fiscal 2013. In addition to the lower of cost or market reserve we recorded an inventory reserve of \$1.0 million in "Cost of sales" in the Consolidated Statements of Operations and Comprehensive Loss related to the 2013 Restructuring. The gross margin percentage was also lower due to a greater percentage of our sales being comprised of lower gross margin structural product.

**Selling, general, and administrative.** Selling, general and administrative expenses for the first six months of fiscal 2013 were \$127.9 million, or 11.5% of net sales, compared to \$113.2 million, or 11.7% of net sales, during the first six months of fiscal 2012. The increase in selling, general, and administrative expenses primarily was due to \$8.2 million of severance related and other charges associated with the 2013 Restructuring, the change in executive leadership and transition costs incurred for the move from our Fremont, California location to our Stockton, California

location during the first quarter of fiscal 2013. Variable costs such as payroll, third party freight and operating supplies also increased due to an increase in unit volume of 6.4%. Also contributing to the increase were lower real estate gains of \$0.2 million in the first six months of fiscal 2013 as compared to real estate related gains of \$1.0 million gain in the first six months of fiscal 2012.

Depreciation and amortization. Depreciation and amortization expense totaled \$4.4 million for the first six months of fiscal 2013, and the first six months of fiscal 2012.

Operating loss. Operating loss for the first six months of fiscal 2013 was \$20.7 million compared to \$0.2 million in the prior year period. The change in operating loss reflects a \$5.8 million decrease in gross profit and an increase in selling, general and administrative expenses of \$14.7 million.

Interest expense. Interest expense totaled \$14.1 million for the first six months of fiscal 2013 and the first six months of fiscal 2012. Interest expense included \$1.7 million and \$1.9 million of debt issue cost amortization for the first six months of fiscal 2013 and for the first six months of fiscal 2012, respectively. Interest expense for the first six months of fiscal 2013 also included the write-off of \$0.1 million previously capitalized debt fees related to the amendment of our U.S. revolving credit facility. During the first six months of fiscal 2013, interest expense related to our revolving credit facilities and mortgage was \$5.6 million and \$6.5 million, respectively. During the first six months of fiscal 2012, interest expense related to our revolving credit facility and mortgage was \$4.6 million and \$7.6 million, respectively. See "Liquidity and Capital Resources" below for a description of agreements for the revolving credit facilities and the mortgage.

Benefit from (provision for) income taxes. The effective tax rate was 0.2% and (2.8)% for the first six months of fiscal 2013 and the first six months of fiscal 2012, respectively. The unusual effective tax rate in both periods is primarily driven by a full valuation allowance recorded against our year to date federal and state tax benefit. In addition, we recorded tax expense related to gross receipts, Canadian and certain state taxes. Also, during the first six months of fiscal 2013, we allocated income tax expense to accumulated other comprehensive loss to the extent income was recorded related to the pension plan, which resulted in a tax benefit to continuing operations.

Net loss. Net loss for the first six months of fiscal 2013 was \$35.0 million compared to a net loss of \$14.7 million for the first six months of fiscal 2012 as a result of the above factors.

On a per-share basis, basic and diluted loss per share applicable to common stockholders for the first six months of fiscal 2013 and for the first six months of fiscal 2012 were \$0.46 and \$0.23, respectively. Weighted average shares for the six months ended June 30, 2012 prior to giving effect to the 2013 Rights Offering were 60,050,459 and were 65,420,140 after application of the adjustment factor of 1.0894.

#### Seasonality

We are exposed to fluctuations in quarterly sales volumes and expenses due to seasonal factors. These seasonal factors are common in the building products distribution industry. The first and fourth quarters are typically our slowest quarters due to the impact of poor weather on the construction market. Our second and third quarters are typically our strongest quarters, reflecting a substantial increase in construction due to more favorable weather conditions. Our working capital and accounts receivable and payable generally peak in the third quarter, while inventory generally peaks in the second quarter in anticipation of the summer building season.

#### Liquidity and Capital Resources

We depend on cash flows from operations and funds available under our revolving credit facilities to finance working capital needs and capital expenditures. We had approximately \$90.9 million of excess availability (\$43.0 million above the minimum required) under our U.S. revolving credit facility agreement (the “U.S. revolving credit facility”) and \$2.2 million under the Canadian revolving credit facility agreement (the “Canadian revolving credit facility”), described further below, as of June 29, 2013. We had approximately \$86.0 million of excess availability under the U.S. revolving credit facility and \$2.0 million under our Canadian revolving credit facility as of December 29, 2012. As of June 29, 2013, under our amended U.S. revolving credit facility, we are required to maintain a fixed charge coverage ratio of 1.1 to 1.0 in the event our excess availability falls below the greater of \$31.8 million or the amount equal to 12.5% of the lesser of the borrowing base or \$447.5 million (the “Excess Availability Threshold”). If we fail to maintain this minimum excess availability, the amended U.S. revolving credit facility requires us to (i) maintain certain financial ratios, which we would not meet with current operating results, and (ii) limit our capital expenditures, which would have a negative impact on our ability to finance working capital needs and capital expenditures. In the event that excess availability falls below \$37.1 million or the amount equal to 15% of the lesser of the borrowing base or \$447.5 million, and we do not meet the fixed charge coverage ratio, the U.S. revolving credit facility gives the lenders the right, but not the obligation, to dominion of our bank accounts. This would not make the underlying debt callable by the lender and may not change our ability to borrow on the U.S. revolving credit facility. However, we would be required to reclassify the “Long-term debt” to “Current maturities of long-term debt” on our Consolidated Balance Sheet. For additional information regarding our financial covenants under our revolving credit facilities, see “Debt and Credit Sources” below and the risk factor “The instruments governing our indebtedness contain various covenants limiting the discretion of our management in operating our business” set forth under Item 1A — “Risk Factors” in our Annual Report on Form 10-K for the year ended December 29, 2012, as filed with the

SEC.

On March 27, 2013, we concluded the 2013 Rights Offering. The 2013 Rights Offering was fully subscribed and resulted in gross proceeds of approximately \$40 million which were offset by expenses paid as of June 29, 2013 of approximately \$1.3 million. The net proceeds from the transaction were approximately \$38.6 million and were net of \$1.4 million of expenses incurred, some of which have yet to be paid as of June 29, 2013. We issued 22.9 million shares of stock to our stockholders in conjunction with the 2013 Rights Offering.

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Excess availability may decrease while our industry and our company continue to participate in the recovery of the housing market. However, we believe that the amounts available from our revolving credit facilities and other sources will be sufficient to fund our routine operations and capital requirements for the next 12 months.

We may elect to selectively pursue acquisitions. Accordingly, depending on the nature of the acquisition, we may use cash or stock, or a combination of both, as acquisition currency. Our cash requirements may significantly increase and incremental cash expenditures will be required in connection with the integration of the acquired company's business and to pay fees and expenses in connection with any acquisitions. To the extent that significant amounts of cash are expended in connection with acquisitions, our liquidity position may be adversely impacted. In addition, there can be no assurance that we will be successful in completing acquisitions in the future. For a discussion of the risks associated with acquisitions, see the risk factor "Integrating acquisitions may be time-consuming and create costs that could reduce our net income and cash flows" set forth under Item 1A — "Risk Factors" in our Annual Report on Form 10-K for the year ended December 29, 2012, as filed with the SEC.

The following tables indicate our working capital and cash flows for the periods indicated.

	June 29, 2013	December 29, 2012
	(Dollars in thousands)	
	(Unaudited)	
Working capital	\$ 296,728	\$ 272,403

	Period from December 30, 2012 to June 29, 2013	Period from January 1, 2012 to June 30, 2012
	(Dollars in thousands)	
	(Unaudited)	
Cash flows used in operating activities	\$ (133,657 )	\$ (110,106 )
Cash flows used in investing activities	(2,522 )	(225 )
Cash flows provided by financing activities	139,377	110,584

#### Working Capital

Working capital increased by \$24.3 million to \$296.7 million at June 29, 2013 from \$272.4 million at December 29, 2012. The increase in working capital is primarily attributable to increases in inventory of \$88.4 million, receivables of \$75.5 million, other current assets of \$7.9 million and cash of \$3.2 million and a decrease in bank overdrafts of \$14.5 million. We increased inventory levels to meet current demand and the increase in accounts receivable is due an increase in demand and seasonal payment patterns. The increase in other current assets primarily relates to \$4.9 million of assets designated as held for sale during the period. These changes were partially offset by increases in accounts payable of \$49.9 million and increased net borrowings on the current portion of our revolving credit facilities of \$114.1 million as we purchased more products to meet existing demand. The increase in accounts payable is reflected as a \$49.8 million change in the operating activities section of the Consolidated Statement of Cash Flows net of \$0.1 million of a payable for expenses related to the 2013 Rights Offering, which were reflected in the financing activities section of the Consolidated Statement of Cash Flows. In the financing section of the Consolidated Statement of Cash Flows, these accrued expenses for the 2013 Rights Offering were netted with total expenses



incurred for the 2013 Rights Offering when calculating “Proceeds from the rights offering less expenses paid”.

#### Operating Activities

During the first six months of fiscal 2013, cash flows used in operating activities totaled \$133.7 million. The primary drivers of cash flow used in operations were increases in accounts receivable of \$75.5 million reflecting increased revenue resulting from an increase in demand and seasonal payment patterns, an increase in inventories of \$88.4 million due to an increase in purchases to meet increased demand and a net loss, as adjusted for non-cash charges, of \$20.3 million. These cash outflows were offset by an increase in accounts payable of \$49.8 million due to an increase in purchase volume associated with increased demand. This change in accounts payable was classified net of \$0.1 million of expenses accrued but not yet paid for the 2013 Rights Offering, which were classified in cash flows from financing activities. Refer to the Working Capital section above for further discussion of these items.

During the first six months of fiscal 2012, cash flows used in operating activities totaled \$110.1 million. The primary drivers of cash flow used in operations were increases in accounts receivable of \$63.2 million due to an increase in sales volume coupled with seasonal payment patterns and an increase in inventories of \$50.1 million due to an increase in purchases to meet current demand. In addition, we made a payment of \$5.0 million related to the modification of the lease agreement for our corporate headquarters. These cash outflows were offset by an increase in accounts payable of \$10.1 million due the seasonality of our business and the related purchasing patterns.

#### Investing Activities

During the first six months of fiscal 2013 and fiscal 2012, cash flows used by investing activities totaled \$2.5 million and \$0.2 million, respectively.

During the first six months of fiscal 2013 and fiscal 2012, our expenditures for property and equipment were \$3.0 million and \$2.1 million, respectively. During the first six months of fiscal 2013, we purchased additional space for our distribution center in Elkhart, Indiana, which included both land and a building and resulted in a capital expenditure of approximately \$1.0 million. We intend to purchase an additional 50 tractors to replenish the fleet during the second half of fiscal 2013 and anticipate financing these tractors with a third party leasing company. The remaining capital expenditures in 2013 primarily relate to normal replenishment. Our capital expenditures for fiscal 2013 and 2012 have been and likely will continue to be paid from our revolving credit facility.

Proceeds from the disposition of property totaled \$0.4 million and \$1.9 million for the first six months of fiscal 2013 and the first six months of fiscal 2012, respectively. The proceeds from disposition of assets in the first six months of fiscal 2013 were primarily related to the sale of certain pieces of equipment. The proceeds from disposition of assets in the first six months of fiscal 2012 were primarily related to the sale of two properties.

#### Financing Activities

Net cash provided by financing activities was \$139.4 million and \$110.6 million during the first six months of fiscal 2013 and the first six months of fiscal 2012, respectively. The net cash provided by financing activities in the first six months of fiscal 2013 primarily reflected a net increase in the balance of our revolving credit facility of \$128.5 million and net proceeds from the 2013 Rights Offering of \$38.7 million. These increases were partially offset by a decrease in bank overdrafts of \$14.5 million, increases in our restricted cash related to the mortgage of \$2.8 million, payments of principal on the mortgage of \$4.2 million and cash paid for debt financing costs of \$2.8 million. The net cash provided by financing activities in the first six months of fiscal 2012 primarily reflected an increase in the balance of our revolving credit facility of \$112.3 million and an increase in bank overdrafts of \$8.3 million. Partially offsetting these cash inflows were \$7.7 million of principal payments on our mortgage and \$1.4 million of cash paid for debit financing costs.

#### Debt and Credit Sources

Our U.S. revolving credit facility is with Wells Fargo Bank, National Association, successor by merger to Wachovia Bank, National Association ("Wells Fargo Bank"), dated August 4, 2006, as amended. The U.S. revolving credit facility has a final maturity of April 15, 2016 and maximum available credit of \$447.5 million. The U.S. revolving credit facility also includes an additional \$75 million uncommitted accordion credit facility, which permits us to increase the maximum available credit up to \$522.5 million.

On June 28, 2013, we entered into an amendment to our U.S. revolving credit facility, which became effective on that date pursuant to which certain components of the borrowing base calculation and excess liquidity calculation were adjusted as part of this amendment. The most significant of the changes included in the amendment is the addition of PNC Bank, National Association as a lender and their additional loan commitment of \$25.0 million, which increases the maximum availability under the U.S. revolving credit facility to \$447.5 million. The new terms of this amended agreement are described below. In conjunction with this amendment, we incurred \$0.1 million of debt fees that were capitalized and are being amortized over the amended debt term.

On March 29, 2013, we entered into an amendment to our U.S. revolving credit facility, which became effective on that date pursuant to which certain components of the borrowing base calculation and excess liquidity calculation were adjusted as part of this amendment. The most significant of the changes included in the amendment are extending the final maturity of the U.S. revolving credit facility, increasing the maximum available credit under the facility and adjusting the excess availability threshold calculation. In conjunction with this amendment, we incurred \$2.8 million of debt fees that were capitalized and are being amortized over the amended debt term.

On March 27, 2013, we concluded the 2013 Rights Offering. The 2013 Rights Offering was fully subscribed and resulted in gross proceeds of approximately \$40 million which were offset by expenses paid as of June 29, 2013 of approximately \$1.3 million. The net proceeds from the transaction were approximately \$38.6 million and were net of \$1.4 million of expenses incurred, some of which have yet to be paid as of June 29, 2013. We issued 22.9 million shares of stock to our stockholders in conjunction with the 2013 Rights Offering.

As of June 29, 2013, we had outstanding borrowings of \$295.6 million and excess availability of \$90.9 million under the terms of our U.S. revolving credit facility. The interest rate on the U.S. revolving credit facility was 3.5% at June 29, 2013. As of December 29, 2012, we had outstanding borrowings of \$169.5 million and excess availability of \$86.0 million under the terms of our U.S. revolving credit facility. The interest rate on the U.S. revolving credit facility was 4.1% at December 29, 2012. As of June 29, 2013 and December 29, 2012, we had outstanding letters of credit totaling \$4.5 million for the purposes of securing collateral requirements under casualty insurance programs and for guaranteeing lease and certain other obligations. The \$4.5 million in outstanding letters of credit as of June 29, 2013 does not include an additional \$1.5 million fully collateralized letter of credit securing certain insurance obligations that was issued outside of the U.S. revolving credit facility.

As of June 29, 2013, our U.S. revolving credit facility, as amended, contains customary negative covenants and restrictions for asset based loans, including a requirement that we maintain a fixed charge coverage ratio of 1.1 to 1.0 in the event our excess availability falls below the Excess Availability Threshold. The fixed charge coverage ratio is calculated as EBITDA divided by the sum of cash payments for income taxes, interest expense, cash dividends, principal payments on debt, and capital expenditures. EBITDA is defined as BlueLinx Corporation's net income before interest and tax expense, depreciation and amortization expense, and other non-cash charges. The fixed charge coverage ratio requirement only applies to us when excess availability under our amended U.S. revolving credit facility is less than the Excess Availability Threshold on any date. As of June 29, 2013 and through the time of the filing of this Form 10-Q, we were in compliance with all covenants under the U.S. revolving credit facility. We are required to maintain the Excess Availability Threshold in order to avoid being required to meet certain financial ratios and triggering additional limits on capital expenditures. Our lowest level of fiscal month-end availability in the last three years as of June 29, 2013 was \$85.9 million. We do not anticipate our excess availability in fiscal 2013 will drop below the Excess Availability Threshold. Should our excess availability fall below the Excess Availability Threshold on any date, however, we would not meet the required fixed charge coverage ratio covenant with our current operating results.

In the event that excess availability falls below \$37.1 million or the amount equal to 15% of the lesser of the borrowing base or \$447.5 million, the U.S. revolving credit facility gives the lenders the right to dominion of our bank accounts. This would not make the underlying debt callable by the lender and may not change our ability to borrow on the U.S. revolving credit facility. However, we would be required to reclassify the "Long-term debt" to "Current maturities of long-term debt" on our Consolidated Balance Sheet. In addition, we would be required to maintain a springing lock-box arrangement where customer remittances go directly to a lock-box maintained by our lenders and then are forwarded to our general bank accounts. Our amended U.S. revolving credit facility does not contain a subjective acceleration clause, which would allow our lenders to accelerate the scheduled maturities of our debt or to cancel our agreement.

On August 12, 2011, our subsidiary BlueLinx Building Products Canada Ltd. ("BlueLinx Canada") entered into a revolving credit agreement (the "Canadian revolving credit facility") with CIBC Asset-Based Lending Inc., as lender, administrative agent and collateral agent (the "Agent"). The maturity date of this agreement is August 12, 2014. As of June 29, 2013, we had outstanding borrowings of \$4.3 million and excess availability of \$2.2 million under the terms of our Canadian revolving credit facility. As of December 29, 2012, we had outstanding borrowings of \$1.9 million

and excess availability of \$2.0 million under the terms of our Canadian revolving credit facility. The interest rate on the Canadian revolving credit facility was 4.0% at June 29, 2013 and December 29, 2012. The Canadian revolving credit facility contains customary covenants and events of default for asset-based credit agreements of this type, including the requirement for BlueLinx Canada to maintain a minimum adjusted tangible net worth of \$3.9 million and for that entity's capital expenditures not to exceed 120% of the amount budgeted in a given year. As of June 29, 2013 and through the time of the filing of this Form 10-Q, we were in compliance with all covenants under this facility.

On September 19, 2012, we entered into an amendment to our mortgage agreement, which provided for the immediate prepayment of approximately \$11.8 million of the indebtedness under the mortgage agreement without incurring a prepayment premium from cash currently held as collateral under the mortgage agreement. We are required to transfer funds under the terms of the mortgage that are held as collateral. We expect to transfer approximately \$13.4 million as collateral during the next twelve month period, approximately \$3.4 million of which will be used to reduce mortgage principal on a quarterly basis. The remaining amount of approximately \$10.0 million will be released from escrow to us on a quarterly basis for operational uses as indicated in the amendment. As part of the September 2012 amendment to the mortgage, on a quarterly basis, additional funds held as collateral under the mortgage agreement will be used to prepay indebtedness under the mortgage agreement, without prepayment premium, up to an aggregate additional prepayment of \$10.0 million. Thereafter, any cash remaining in the collateral account under the mortgage agreement, up to an aggregate of \$10.0 million, will be released to the Company on the last business day of each calendar quarter through the second quarter of 2014. All funds released pursuant to these provisions may only be used by the Company to pay for usual and customary operating expenses. During the periods described above in which cash in the collateral account is used to either prepay indebtedness under the mortgage agreement or released to the Company, the lenders will not release any of the cash collateral to the Company for specified capital expenditures as previously provided under the mortgage agreement. In conjunction with the modification of our mortgage agreement we incurred approximately \$0.3 million in debt fees that were capitalized and are being amortized over the remaining term of the mortgage. As of June 29, 2013 and December 29, 2012, the balance on our mortgage loan was \$201.8 million and \$206.0 million, respectively.

#### Contractual Obligations

On February 12, 2012, our three-year purchase agreement with Georgia-Pacific Corporation (“G-P”) for engineered lumber expired in accordance with its terms. We continue to distribute a variety of G-P building products, but no longer are contractually obligated to purchase certain products exclusively from G-P.

There have been no other material changes to our contractual obligations from those disclosed above or in Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 29, 2012.

#### Critical Accounting Policies

The preparation of our consolidated financial statements and related disclosures in conformity with U.S. generally accepted accounting principles requires our management to make judgments and estimates that affect the amounts reported in our consolidated financial statements and accompanying notes. There have been no material changes to our accounting policies from the information provided in Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 29, 2012.

#### New Accounting Standards

In the first quarter of fiscal 2013, the Financial Accounting Standards Board (the “FASB”) issued an amendment to previously issued guidance which requires companies to report, in one place, information about reclassifications out of accumulated other comprehensive income (“AOCI”). The update also requires companies to present reclassifications by component when reporting changes in AOCI balances. For significant items reclassified out of AOCI to net income in their entirety in the period, companies must report the effect of the reclassifications on the respective line items in the statement where net income is presented. In certain circumstances, this can be done on the face of that statement. Otherwise, it must be presented in the notes. For items not reclassified to net income in their entirety in the period, companies must cross-reference in a note to other required disclosures. The amendments are effective for public

companies in fiscal years, and interim periods within those years, beginning after December 15, 2012. We adopted this guidance during the first quarter of fiscal 2013, refer to Note 12 of the Notes to Consolidated Financial Statements for the required disclosures.

There were no other accounting pronouncements adopted during the first six months of fiscal 2013 that had a material impact on our financial statements.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risk from the information provided in Part II, Item 7A “Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K for the fiscal year ended December 29, 2012.

### ITEM 4. CONTROLS AND PROCEDURES

Our management performed an evaluation, as of the end of the period covered by this report on Form 10-Q, under the supervision of our chief executive officer and chief financial officer of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”). Based on that evaluation, our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and is accumulated and communicated to our management including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

During the second quarter of fiscal 2013, there were no material changes to our previously disclosed legal proceedings. Additionally, we are, and from time to time may be, a party to routine legal proceedings incidental to the operation of our business. The outcome of any pending or threatened proceedings is not expected to have a material adverse effect on our financial condition, operating results or cash flows, based on our current understanding of the relevant facts. Legal expenses incurred related to these contingencies are generally expensed as incurred.

### ITEM 1A. RISK FACTORS

There has been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the year ended December 29, 2012 as filed with the SEC.

### ITEM 6. EXHIBITS

#### Exhibit

Number	Description
10.1	The Sixth Amendment, dated June 28, 2013, to the Amended and Restated Loan and Security Agreement, dated August 4, 2006, as amended, by and between the Operating Company, Wells Fargo and the other signatories listed therein (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on June 28, 2013).
10.2	Lender Joinder Agreement, dated as of June 28, 2013, by and between PNC Bank, National Association and the Operating Company (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed on June 28, 2013).
10.3	Employment Agreement by and between BlueLinx Holdings Inc. and Sara E. Epstein, dated May 15, 2013 (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on May 17, 2013).
10.4	Employment Agreement by and between BlueLinx Holdings Inc. and James P. Soggs, dated May 15, 2013 (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed on May 17, 2013).
10.5	Separation Agreement and Release by and between BlueLinx Holdings Inc. and George R. Judd, dated June 5, 2013 (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on June 11, 2013).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.



- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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- 101 The following financial information from the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 29, 2013, formatted in Extensible Business Reporting Language ("XBRL"): (i) Consolidated Statements of Operations and Comprehensive Loss, (ii) Consolidated Balance Sheets, (iii) Consolidated Statements of Cash Flows and (iv) Notes to Consolidated Financial Statements (Unaudited).\*

\* Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not to be "filed" or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, or Section 18 of the Securities Act of 1934, as amended, and otherwise are not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned hereunto duly authorized.

BlueLinx Holdings Inc.  
(Registrant)

Date: July 31, 2013

/s/ H. Douglas Goforth  
H. Douglas Goforth  
Chief Financial Officer and Treasurer

# EXHIBIT INDEX

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*	Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not to be "filed" or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, or Section 18 of the Securities Act of 1934, as amended, and otherwise

are not subject to liability under these sections.